

DEVELOPMENT OF THE MANAGEMENT FUNCTION  
IN THE OFFICE OF MANAGEMENT AND BUDGET

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DEVELOPMENT OF THE MANAGEMENT FUNCTION IN  
THE OFFICE OF MANAGEMENT AND BUDGET

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## CHAPTER I

### INTRODUCTION

The Federal Government is today a bureaucracy of almost overwhelming magnitude. It presents a management problem of increasing consequence to every American from the standpoint of quality and any aspect of size--dollars, numbers of people, or scope of operations. Nearly every facet of our life today depends to some extent on what the Government does or does not do. We look to our Government to insure that the proper programs are initiated and properly administered and increasingly we look for it to regulate the distribution of scarce human and material resources. The resulting challenge to good management is staggering.

Furthermore, the problems which must be solved seem to be increasing. As we learn of the need to control even our use of our air and water, new social programs and defense needs are competing for scarce tax dollars at a time when alternatives are narrowing. In Fiscal Year 1971 it was estimated that 69 per cent of total Government expenditures were uncontrollable--that past decisions had reduced our current alternatives to the point where only 31 per cent of current expenditures would be determined by current decisions.



This proportion of current expenditures subject to current decisions was down from 34 per cent in 1970 and 36 per cent in 1969.<sup>1</sup> The problem, therefore, is not simply of deciding what to do next, but of insuring that past decisions are relevant to current problems and that maximum benefit is being derived from each dollar spent. The burden of these decisions falls on the President as the chief executive.

Unlike a legislature, a President should view the passage of a law as a beginning, not an end. His responsibility does not cease when he has decided what to do. The less politically rewarding and often complex task of determining how to do it must be undertaken by the executive, if programs are to produce results.<sup>2</sup>

In 1968, Bertram M. Gross, Professor of Political Science, Syracuse University, urged the creation of a new Hoover Commission to chart the managerial revolution necessary to cope with what might otherwise become the totally unmanageable problems of the post-Vietnam period.<sup>3</sup> In 1969, President Nixon formed the President's Advisory Council on Executive Organization. And so another study group would add its wisdom to the twelve previous groups which had in the past

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<sup>1</sup>U.S., President, The Budget of the United States Government: Fiscal Year 1971 (Washington, D.C.: Government Printing Office, 1970), p. 42.

<sup>2</sup>Harold Seidman, Politics, Position, and Power: The Dynamics of Federal Organization (New York: Oxford University Press, 1970), p. 68.

<sup>3</sup>U.S., Congress, Senate, Committee on Government Operations, Establish a Commission on the Organization and Management of the Executive Branch. Hearing, before the Subcommittee on Executive Reorganization of the Committee on Government Operations, United States Senate, on S. 2116, S. 47, S. 2832, S. 1929, S. 2032, 90th Cong., 2d sess., 1968, p. 25.



studied the problems of the Federal Government.<sup>1</sup> A major result of the latest effort became Reorganization Plan No. 2 of 1970, which made changes in the structure of the Executive Office of the President primarily to improve the President's capability to meet the management challenge.

But the Bureau of the Budget, now the Office of Management and Budget, has had unbroken responsibilities for management improvement since its creation in 1921. Section 209 of the Budget and Accounting Act of 1921 (see Appendix A) assigned the Bureau of the Budget responsibility for "securing greater economy and efficiency in the conduct of the public service." Moreover, the Bureau of the Budget had come to be considered by many as the most important aggregation of executive power in the history of the country.<sup>2</sup> Previous studies had focused on the Bureau of the Budget, seeking in part to improve its capability as the President's management tool. The management role is not new to the Bureau of the Budget, nor are changes designed to improve its managerial performance.

Given the magnitude of the Government's managerial problem and the role which improved management must play, the pertinent question becomes: Has Reorganization Plan No. 2 of

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<sup>1</sup>Ibid., Exhibit 47, p. 607.

<sup>2</sup>See Gross' further comments, op. cit., p. 25; and U.S., Commission on Organization of the Executive Branch of the Government, Task Force Report on Fiscal, Budgeting, and Accounting Activities (Appendix F) (Washington, D.C.: Government Printing Office, 1948), p. 46.





1970 contributed to the President's capability to bring better management to the Federal Government? This paper is in search of an answer to this question. Before this can be done, however, the difficulties previously experienced by the Bureau of the Budget in fulfilling its management function must be explored. The causes of any shortcomings must be identified, and previous attempts at correction examined. To the extent that the problem is complex, no simple answer is anticipated. Others before the President's Advisory Council on Executive Organization have searched for solutions to the problem, and it is to be expected that the future will bring other attempts. Final solutions to human organization are elusive if only because our understanding is incomplete. Changing personalities and conditions preclude a definitive solution, and this must influence the evaluation which seeks to answer the subject question.

Insufficient time has passed since the Office of Management and Budget was created to allow a comprehensive evaluation based on performance. This evaluation must therefore attempt to answer the question from the standpoint of the development of the Bureau of the Budget's management function, what past studies have revealed, and the results of corrective steps previously taken. The insights gleaned from this effort will be useful in examining the thinking which resulted in Reorganization Plan No. 2, insofar as this thinking can be determined. Since there often are significant deviations





between the thought and the implomentation, the results of Reorganization Plan No. 2 within the Office of Management and Budget will also be examined to the extent currently feasible.

No evaluation of a political institution like the Office of Management and Budget could be considered complete without recourse to the political environment in which it functions. Introduction of the full political element, however, would expand the scope of this paper beyond all reasonable bounds. The political factors inherent in the history of the Bureau of the Budget, the performance of its management function, and the results which might, therefore, be predicted for the Office of Management and Budget, could easily constitute a separate paper of equal if not greater length. The discovery of a recent book<sup>1</sup> which deals with the politics of Government organization was fortunate, since, by relying heavily on its analysis, at least a limited political dimension can be introduced without exceeding the bounds of feasibility.

Much, but not all, material relevant to this evaluation is a matter of public record. The reports of prior studies, books, Congressional documents, as well as current literature will be used extensively. However, very little of this material

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<sup>1</sup>Seidman, op. cit. This excellent book presents an account of Governmental organization and administration in the political environment from the standpoint of both a scholar of government and from the author's broad practical experience from his career with the Bureau of the Budget.



has been oriented to the management function. For the most part the primary concern has been with the budgetary function of the Bureau of the Budget. So while much of the material is certainly not new, the management orientation of this study has required a somewhat different perspective. As a result, published material was somewhat lacking. Personnel of the Office of Management and Budget Library have been most helpful in this respect. By allowing access to internal, unpublished documents of the new Office and its predecessor Bureau, many of these information gaps have been bridged. Interviews with various officials of the Office of Management and Budget have been sought, not always with success, despite the additional workload these people are carrying as a result of the subject reorganization and subsequent reorganization proposals relating to other institutions of the Executive Branch. When granted, these interviews serve to provide new insights to the printed history, stimulate new awareness of the depth of the problem, and indicate current trends and attitudes.

Records and reports of the President's Advisory Council on Executive Organization<sup>1</sup> are considered to be Presidential documents not a part of the public record.<sup>2</sup> While some of the

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<sup>1</sup>Commonly called the "Ash Council," and it is this designation which will be used henceforth.

<sup>2</sup>U.S., Congress, House, Committee on Government Operations, Reorganization Plan No. 2 of 1970 (Office of Management and Budget; Domestic Council), Hearings, before a Subcommittee of the Committee on Government Operations, House of Representatives, 91st Cong., 2d sess., 1970, pp. 16-17.



work of the Ash Council has been made public, the records pertaining to Reorganization Plan No. 2 have not been disclosed. Fortunately a part of the Ash Council Staff was found to be still working in Washington, D.C. Interviews were obtained with Thomas Walker, Assistant to the Executive Director of the Ash Council, on 20 and 27 January and on 21 February 1971. During the course of these interviews, selected papers of the Ash Council were made available for review. These documents were made available with the stipulation that no direct reference to them would be made. In view of these confidences, no direct reference will be made to material gathered from this source. Material used in developing the Ash Council's background, method of operation, organization, and recommendations came from this source unless specifically indicated otherwise.

The records of some previous studies which have dealt with the subject of governmental organization are similarly restricted. Unfortunately, no information about the Rockefeller Committee could be obtained. From the one brief reference made of this prior effort,<sup>1</sup> it appears that this group was thinking along lines similar to those of the Ash Council.

Subsequent chapters in this paper will deal first with the origin and later development of the management function in the Bureau of the Budget. In the nearly fifty years of the

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<sup>1</sup>See Chapter III, p. 42, footnote 1.





Bureau's history, it has been examined several times for potential improvement. While not all of these studies have been specifically oriented to the management function, at no time have management considerations been far removed. Since these studies in the aggregate represent considerable depth of experience and talent, a foundation for the consideration of the more recent changes will evolve. Next the philosophy, organization, and methods of the Ash Council will be examined for insights into the reasons for their recommendations. Thirdly, the resulting Reorganization Plan and its implementation will be explored to see how closely the end result conformed to the recommendations, and to reveal any parallels with past efforts. Finally, the results of these examinations will be brought together in search of an answer to the main thrust of this inquiry: Has Reorganization Plan No. 2 of 1970 contributed to the President's capability to bring better management to the Federal Government?





## CHAPTER II

### THE BUREAU OF THE BUDGET

#### The First Years

The Bureau of the Budget was established as a part of the Treasury Department but reporting directly to the President by the Budget and Accounting Act of 1921. The first Director, Charles G. Dawes, was a man of drive and energy, a prominent business man. He was no novice and was a resourceful inaugurator.<sup>1</sup> But while Dawes was particularly successful in getting the new Bureau of the Budget off to an auspicious start, his immediate emphasis was to see that "coal is not wasted."<sup>2</sup> In his preoccupation with establishing fiscal control over the previously independent agencies, and with economy in the narrow sense, the responsibility for conducting studies in administrative reorganization was not developed. The management function vested in the Bureau of the Budget by the Budget and Accounting Act of 1921 was allowed to wither before it really became established. Further, while Dawes left behind a well established pattern of activity and high grade administration,

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<sup>1</sup>Fritz Morstein Marx, "The Bureau of the Budget: Its Evolution and Present Role," The American Political Science Review, Part I (August, 1945), 669.

<sup>2</sup>Jesse Burkhead, Government Budgeting (New York: John Wiley & Sons, Inc., 1956), p. 289.



he left no clearly defined legacy of tasks yet to be performed.

"The psychological moment for designing and carrying out the 'comprehensive reform' which Dawes himself has regarded as essential was allowed to pass."<sup>1</sup>

Although no voice was raised in the Congressional Hearings which would restrict the definition of the Bureau of the Budget's mandate, Dawes was faced with potential conflict with the Joint Congressional Committee on Reorganization of the Administrative Branch of the Government which was given a similar mandate in December 1920.<sup>2</sup> Dawes believed that in deferring to the Joint Committee, he was exercising "good tactics" which would tend to allay Congressional criticism of his young Bureau. "I agreed with Hon. Walter F. Brown, Chairman of the Joint Committee, to leave to them leadership in preparing the outline plan of the regrouping and reclassification of government activities." Further, "The President has decided that Congress shall take the lead in the matter of indicating the proper plans for regrouping and reclassifying governmental activities: so we won't stumble over each other's heels and duplicate work."<sup>3</sup> But there was little opportunity for

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<sup>1</sup>Morstein Marx, "Bureau of the Budget," 679-680.

<sup>2</sup>Ibid., 663, 676.

<sup>3</sup>Charles Gates Dawes, The First Year of the Budget of the United States (New York: Harper & Brothers Publishers, 1923), pp. 2, 10.



duplication of work since the Joint Committee had little staff and was unable to make a contribution. Thus was the opportunity lost and "the major criticism which can be directed against the Dawes approach is the failure of the Bureau to take the initiative in governmental reorganization."<sup>1</sup>

The Dawes approach is described as being prescribed by the dominant sentiments of his time and that this held the management role of the Bureau of the Budget to an emphasis on expenditure reduction through budget review until the 1930's.<sup>2</sup> But while the initial opportunity was lost, the potential of the Bureau of the Budget as an instrument of true management improvement remained. The pressures of the country's internal economic condition and the emerging conflicts abroad during the 1930's forced continued examination of the Bureau of the Budget's management role. A restricted view of economy and efficiency was increasingly found to be inadequate. Finally a Division of Research and Investigation was established by Bureau of the Budget Office Memorandum No. 15 in 1935. This was the first attempt to provide the administrative structure necessary to fulfill the Bureau's responsibility for the management function under Section 209 of the Budget and Accounting Act of 1921.<sup>3</sup>

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<sup>1</sup>Burkhead, Government Budgeting, p. 291.

<sup>2</sup>Ibid., pp. 290-292.

<sup>3</sup>Mary Lou Shantz, "The Division of Administrative Management of the Bureau of the Budget: 1939-1952" (Unpublished paper prepared for the Office of Management and Organization, Bureau of the Budget, Washington, D.C., 1959), p. 3.





President Roosevelt, in further search of solutions, requested suggestions from Dr. Charles Merriam. In October, 1935, Merriam submitted the concept of an advisory committee to the President which would be responsible for preparing recommendations on executive coordination and administrative management. Brownlow was later to describe this recommendation as a "plan for a plan."<sup>1</sup>

### The Brownlow Committee

Although the developing pressures had created some initial response, the management function of the Bureau of the Budget remained essentially dormant until 1937. The Report of the President's Committee on Administrative Management<sup>2</sup> was submitted January 8, 1937. This report has been called a return to notions expressed in the Budget and Accounting Act of 1921; a rediscovery of prior purpose.<sup>3</sup> The Brownlow Committee found that:

The President needs a research agency to investigate the broad problems involved in the administrative management of the Government-- problems of administrative organization, finance, coordination, procedures and methods of work, and the many technical aspects of management. The function of investigation and research into administrative problems should be developed as an aid to over-all executive management.

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<sup>1</sup>Ibid., pp. 5-6.

<sup>2</sup>Commonly called the "Brownlow Committee" after its chairman, Louis Brownlow, and it is this designation which will be used henceforth.

<sup>3</sup>Morstein Marx, "Bureau of the Budget," 682.





Economy and efficiency in government require constant investigation and reorganization of the administrative structure. It is a mistake to assume that the Government can be reorganized once for all. . . .

A division of administrative research in the Bureau of the Budget is the logical place to develop these functions which were authorized in the act of 1921. . . .<sup>1</sup>

The Bureau of the Budget, as a managerial arm of the President, should investigate broader problems of organization which affect two or more departments and should render expert information and advice to the President upon proposed changes. It should also render expert assistance to the departments upon the organizational problems and should have authority to conduct investigations upon its own initiative. . . .<sup>2</sup>

In view of these findings, the Brownlow Committee recommended that:

3. The administrative research function of the Bureau of the Budget should be adequately developed to aid the President in his duties as head of the executive establishment. The Bureau should carry on constructive studies in public administration for the constant improvement of Government organization and procedures and should also stimulate continuous study of these problems by departments and bureaus.<sup>3</sup>

Congress did not act on the Brownlow Committee's recommendations which were transmitted to Congress on January 12, 1937. The session ended before action could be taken. Growing political opposition to President Roosevelt's

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<sup>1</sup>U.S., President's Committee on Administrative Management (Brownlow Committee), Report of the President's Committee (Washington, D.C.: Government Printing Office, 1937), p. 18.

<sup>2</sup>Ibid., p. 34.

<sup>3</sup>Ibid., p. 19.



other programs was a factor in the defeat of the reorganization proposals in the following session.<sup>1</sup> The issue was not dead, however. The stage was set for action with the appointment of Harold D. Smith as Director of the Bureau of the Budget in April, 1939.<sup>2</sup> On July 1, 1939, Donald C. Stone was appointed head of a new division charged with the management and organization responsibilities of Section 209 of the Budget and Accounting Act. While the new division retained the name of the Division of Research and Investigation for the time being, a new course was being charted.

Stone was an academician--a scholar of public administration. He was not lacking in practical experience, however, having worked in municipal administration, in national and international public administration organizations, as executive director of the Public Administrative Service, and as a consultant for a host of Government agencies.<sup>3</sup>

He believed in the role of long-term planning rather than becoming absorbed in the immediate and routine.<sup>4</sup> By the time the Brownlow Committee recommendations were finally implemented by the Reorganization Act of 1939, the division was well under way on its new course.<sup>5</sup>

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<sup>1</sup>Shantz, "Division of Administrative Management," p. 11.

<sup>2</sup>Burkhead, Government Budgeting, pp. 293-294.

<sup>3</sup>Shantz, "Division of Administrative Management," p. 11.

<sup>4</sup>Ibid., p. 21.

<sup>5</sup>Ibid., p. 8.



By Executive Order 8248 of September 8, 1939, the President placed upon his newly established Executive Office certain management responsibilities and delegated them to the Bureau of the Budget, which was directed:

To conduct research in the development of improved plans of administrative management, and to advise the executive departments and agencies of the Government with respect to improved administrative organization and practice.

To aid the President to bring about more efficient and economical conduct of Government service.<sup>1</sup>

The Bureau of the Budget had been given new, explicit instructions which emphasized the management role it had originally been expected to assume. This role was clearly to be one of broad responsibility for the proper management of the Executive Branch and not limited to a narrow conception of economy and efficiency. Transformation of the Bureau of the Budget's management role was accomplished within about two years' time under the direction of Smith.<sup>2</sup> To a considerable extent, these efforts reflected the philosophy, predilections, and strengths of Stone and Smith.<sup>3</sup> With this new impetus, the Division of Research and Investigation grew into the Division of Administrative Management.<sup>4</sup>

With its transfer from the Treasury Department to the Executive Office of the President, and having become the top

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<sup>1</sup>Percival Flack Brundage, The Bureau of the Budget (New York: Praeger Publishers, 1970), p. 84.

<sup>2</sup>Burkhead, Government Budgeting, pp. 293-294.

<sup>3</sup>Shantz, "Division of Administrative Management," p. 10.

<sup>4</sup>Morstein Marx, "Bureau of the Budget," 684.





managerial agency of the President, the Bureau of the Budget began to expand its staff, increasing within the next five years to over 600 persons.

The Bureau was now much more than an agency to assist the President in the formulation of his budget and in the review of current expenditures; it also . . . surveyed administrative organization and practices and made proposals for readjustments looking toward improved management.<sup>1</sup>

Shortage of trained personnel was, however, a pressing problem for the new Division of Administrative Management. Despite intensive recruitment, only two permanent additions to division staff could be made by the end of 1939 and only eleven more by the end of 1940. The division was forced to rely heavily on temporary personnel. Although the work of the division was patterned after the Brownlow Committee recommendations, the encouragement of departments to study their own organizations and procedural problems could make little progress since the agencies also had a shortage of management analysts. As a result, such help as could be provided was often direct. The effectiveness of the division during this period is difficult to weigh. The course was new, and there was little experience on which to draw. There were no formal relationships with the various agencies which could be exploited. The Division was successful in breaking new ground and invaluable contacts were formed with agencies and

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<sup>1</sup>U.S., Commission on Organization (First Hoover Commission), Task Force Report, p. 45.





a good reputation was established for use in future years.<sup>1</sup> By the end of 1940 a staff of thirty-seven was on board and this was increased to seventy-seven by June 30, 1942. During Fiscal Year 1943, the average number of professional staff members totaled seventy-five. By the end of World War II, management improvement activities were increasingly directed toward installing "self-help" in agencies rather than toward assisting agencies directly.<sup>2</sup>

The Division of Administrative Management became the Bureau's second largest division, and a large number of studies within the Bureau originated as an incidental product of past or current studies undertaken by the Division. Its attention focused on solutions to organizational problems and development of good management in the Executive Branch, helping agencies strengthen staff and services and to utilize tested business practices, fostering improvement and simplification of government-wide procedures and operating techniques, working out plans for structural arrangements in the Executive Branch and assisting in the establishment, realignment, reconversion or liquidation of agencies or agency units. It is reported that activation of the Bureau of the Budget for administrative studies gave rise to commonly accepted standards of executive management.<sup>3</sup>

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<sup>1</sup>Shantz, "Division of Administrative Management," 14-17.

<sup>2</sup>Ibid., 21-23.

<sup>3</sup>Morstein Marx, "Bureau of the Budget," Part II (September, 1945), 887, 892.



The First Hoover Commission

By 1949, the Task Force on Fiscal, Budgeting, and Accounting Activities of the Commission on Organization of the Executive Branch of the Government<sup>1</sup> described the Bureau of the Budget as having built itself into the most powerful bureaucracy in the Government. But the Task Force also found that growth had fostered some highly undesirable bureaucratic characteristics. It found that the Bureau of the Budget had institutionalized many of its processes and introduced rigidities into its operations which reduced the flexibility of its staff. Another draw-back to securing the best work from the staff of the Bureau was found to be a tendency to overspecialization. This practice--especially in the Fiscal, Estimates and Administrative Management Divisions--was to find a definite niche for each new member, then to put him in it and keep him there. The Task Force found that a large part of the Bureau's staff had been needlessly split up into divisions, sections and groups, with the result that bureaucratic boundaries were erected which made collaboration difficult in fields which cut across these lines. The Task Force found that the result was an introduction of organizational difficulties and rigidity which could not be overcome even by the most superior top-level management of the Bureau.<sup>2</sup>

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<sup>1</sup>Commonly called the "First Hoover Commission" in honor of its chairman, former President Herbert Hoover, and it is this designation which shall be used henceforth.

<sup>2</sup>U.S., Commission on Organization (First Hoover Commission), Task Force Report, pp. 46-47, 61.



Specifically with respect to the Division of Administrative Management, the Task Force found:

The Division of Administrative Management has done some good work during the 9 years since it was established. But this work has been done on a casual basis. No comprehensive approach looking toward organizational and management improvement has been planned or utilized by the Division. And there has been no insistence on the part of the Bureau's leadership that such an approach should be made. Indeed, the Division has operated largely on the theory that the work which voluntarily came to it from day to day was the important work for it to do. This seems much too fortuitous for either maximum effectiveness or accomplishment. . . . It has not had, nor has it sought, the authority to require the application of its proposals. Whether this attitude is the best for accomplishing the desired ends is open to serious question. The Division has depended more upon training conferences to inform operating personnel than upon practical demonstrations and extensive applications. The applications which are made depend largely upon the willingness of the operating agencies to accept them. And there is no assurance that the areas of acceptance are the areas of greatest need; the contrary is likely to be the case.<sup>1</sup>

The First Hoover Commission in its report acknowledged the points made by the Task Force, but chose to emphasize the estimates function rather than the management function. The report stated that while the extent to which the Administrative Management Division must draw on the Estimates Division for information was appreciated, the Bureau had not been able to take advantage to an equal extent of the contribution that administrative management work could make in the preparation of estimates and the attainment of economy in departmental

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<sup>1</sup>Ibid., p. 52.





expenditures. The Commission stated that the Government was entering upon a period of vigorous reorganization and that: "The Administrative Management Division of the Office of the Budget, which supplied the technical assistance in preparing the reorganization plans under the Reorganization Acts of 1939 and 1945, must be the nucleus of such work." The Commission believed that the Administrative Management Division should be expanded and strengthened. Specifically, the First Hoover Commission recommended (Recommendation No. 7) that:

In dealing with the budgets of the executive departments and agencies, the Office of the Budget should place much greater emphasis on the developing of policies and standards to govern the preparation of estimates and . . . . Further emphasis should be placed on the management research function, particularly as it affects the field services.<sup>1</sup>

While thus recognizing the vital role to be played by the Administrative Management Division, the First Hoover Commission emphasized the rigidity of the internal structure of the Bureau of the Budget and the management difficulties which resulted. Emphasis was placed on the need for the Estimates Division to use and apply the knowledge gleaned by the Administrative Management Division. By implication, if not by intent, priority was given to the estimates function, and this could be interpreted as tacit approval of the narrow concept of economy and efficiency which was being pursued.

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<sup>1</sup>U.S., Commission on Organization of the Executive Branch of the Government (First Hoover Commission), Budgeting and Accounting: A Report to Congress (Washington, D.C.: Government Printing Office, 1949), pp. 26-27.





Burkhead, for instance, summarized the recommendation by stating: "The Commission . . . recommended that the work of the Administrative Management, Fiscal, and Estimates Divisions be coordinated to place greater emphasis on the review and revision of estimates."<sup>1</sup>

During and subsequent to the First Hoover Commission, the activities of the Division of Administrative Management have been characterized as follows:

. . . First, the Division did staff work for the President's Advisory Committee on Management. Second, it promoted improved governmentwide procedures. . . . The final, and most characteristic approach during the cold-war years, was that of Division stimulation and review of the agencies own management and improvement program. . . .

. . . In some respects the Division had gained in stature and influence. The reduction in staff, the slackened rate of personnel turnover, and physical consolidation all facilitated communication and top-side coordination. As a result the Division was better able to pursue a coherent, long-term program. . . .

During the same period, the Division's effectiveness was impaired by the competition of other government bodies engaged in identical functions. Efforts in long-term reorganization diminished with duplication by the Hoover Commission in 1948. . . .

A second obstacle to the Division's success was the ineffectiveness of its new approach to management improvement. Reports submitted on each agency's management improvement program were too voluminous to be meaningful and their analysis reduced the man-hours available for developing improved standards. . . .

A third element weakening the impact of the Division efforts was the degeneration in executive-legislative relations after 1950. Suspicious of any staff agency to the President, Congress often refused

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<sup>1</sup>Burkhead, Government Budgeting, p. 296.



to admit that Bureau recommendations had any independent validity. As a result, they often ignored Bureau advice on principles of management and organization.

A growing awareness within the Bureau of the Budget that many of its weaknesses were perpetuated by its organizational structure, culminated in an internal reorganization in 1952. . . .<sup>1</sup>

In 1946, average permanent employment in the Division of Administrative Management was 113 including both professional and secretarial staff. By 1947, this was reduced to 103; in 1948, to 92; in 1949, to 79; in 1950, to 74; and in 1951, to 68. With the internal reorganization in March, 1952, the Division of Administrative Management was changed to the new Office of Management and Organization and reduced to 44 positions.<sup>2</sup>

Five realigned program divisions emerged from the 1952 reorganization which combined estimates, management improvement and economic analysis (see Appendix B). Four offices were created including the Office of Management and Organization which numbered about twenty-eight professionals. The Office of Management and Organization was given responsibility for specific management improvement studies channeled through the program divisions<sup>3</sup> and responsibility for government-wide

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<sup>1</sup>Shantz, "Division of Administrative Management," 34-35.

<sup>2</sup>Ibid., 26-31.

<sup>3</sup>The functional statement specified that the Office of Management and Organization ". . . assists the divisions in improving agency organization and management; . . . ." U.S., Bureau of the Budget, "Functions and Organization" (Unpublished paper, Washington, D.C., September 18, 1952), p. 4.



surveys of an inter-agency character. The latter aspect included work methods and organization, personnel, fiscal and accounting activities, and preparation or review of all reorganization plans which the President transmits to Congress. The result was an organization structure which emphasized the estimates function, which Burkhead believed was in response to the First Hoover Commission recommendation.<sup>1</sup> The Bureau's own view of this reorganization was:

In April 1952 the Bureau instituted a new internal organization to achieve three main purposes: (a) a better grouping of functions and a stronger supervisory structure to secure continuing consideration within the Bureau of the interrelation of budgetary, fiscal, management, and legislative problems with respect to major areas of the Government's program; (b) a deployment of the Bureau's staff of specialists to obtain more effective use of its limited manpower resources; and (c) a strengthening of the Bureau's working relationships with the agencies of the executive branch, with which the Bureau deals on a continuing basis.

. . . The general lines of reorganization reflect not only the results of prior thought within the Bureau but also proposals that originated outside the Bureau, especially in the work of the First Hoover Commission.<sup>2</sup>

The second Commission on Organization of the Executive Branch of the Government,<sup>3</sup> in its review of events since the preceding investigation, states that the 1952 reorganization made it

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<sup>1</sup>Burkhead, Government Budgeting, pp. 296-298.

<sup>2</sup>U.S., Bureau of the Budget, "The Bureau of the Budget" (Unpublished paper, Washington, D.C., October, 1960), pp. 4-5.

<sup>3</sup>Commonly called the "Second Hoover Commission" and it is this designation which will be used henceforth.







possible for the Bureau of the Budget to better coordinate its budget review function with its management, fiscal, and legislative review activities.<sup>1</sup>

### The Second Hoover Commission

The Second Hoover Commission Task Force defined the objectives of the budgetary process in two parts: a) To decide the extent to which each of the various programs and activities of the Federal Government shall be carried on; and b) To insure that each program is carried out at minimum cost to the Government. Discussion of these objectives includes the following:

The budget staffs in both the Congress and the executive branch are concerned in varying degrees with each of these objectives. In the first place they are concerned with achieving a unified program that will best serve the country's total objectives. . . . In the second place, the budgetary agencies necessarily should be concerned with the economy and efficiency of Government operations. They should be able not only to detect waste but as well to promote improved efficiency whereby results can be accomplished at minimum cost.<sup>2</sup>

While this does reaffirm the role of budgetary agencies in the management improvement function, taken alone it could be interpreted in the narrow sense of economy and efficiency. That a broad interpretation is intended, however, seems clear from other discussion:

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<sup>1</sup>U.S., Commission on Organization of the Executive Branch of the Government (Second Hoover Commission), Task Force Report on Budget and Accounting in the United States Government (Washington, D.C.: Government Printing Office, 1955), p. 10.

<sup>2</sup>Ibid., pp. 11-12.



The Presidential management responsibilities include also the constant search for more efficient ways to carry out Government operations. He [the President] is directly responsible for the division of Federal activities among the various agencies, and where efficiency can be improved by reorganization, he is required to submit reorganization plans to the Congress. He is also responsible for efficient management within the agencies, but here his role is more like that of the Congress with respect to the executive branch as a whole. . . .

Finally, the Bureau of the Budget has the responsibility to check and advise department heads of possibilities and methods of improving efficiency through better organization and procedures. It should serve as the right arm of the President in improving the management of the executive agencies.<sup>1</sup>

Having thus defined budgetary objectives and the role of the Bureau of the Budget, the Task Force noted that the focal point in the Bureau's organization for promoting management and improvement was the Office of Management and Organization. The Task Force acknowledged that this office had been credited with a number of reorganization plans affecting the executive agencies. But once again the role assumed by the Bureau of the Budget was considered to be more limited than intended:

Notwithstanding these activities, the Bureau's concept of its broader role as the managerial arm of the President has been limited. . . . The primary emphasis on budget mechanics has tended to obscure the Bureau's broader responsibilities. The Bureau's present title, organization, staffing and operating methods stress its budget responsibilities and subordinate its overall management and policy functions. . . . In order to carry out its management responsibilities the Bureau of the Budget should be revitalized.

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<sup>1</sup>Ibid., pp. 13-14.



In recognition of the Bureau's management role, the Task Force recommended that a change in the name of the Bureau would assist in developing consciousness, both within and without Government, of the true role of the Bureau of the Budget.<sup>1</sup>

The Second Hoover Commission closely followed the lead of its Task Force. It reported that the Bureau's overall management and policy function had been subordinated by its responsibilities for budget preparation and that emphasis had been placed on budget mechanics. The Second Hoover Commission concurred that the Bureau of the Budget should be revitalized to meet its management responsibilities beyond budget preparation and control. While the Second Hoover Commission did not recommend that the Bureau's name be changed, it did take specific note of the Task Force's suggestion that the name be changed to "The Office of Budget and Executive Management."<sup>2</sup> Specifically, the applicable recommendation of the Second Hoover Commission was:

Recommendation No. 1

(a) That the Bureau of the Budget expand and make more effective the discharge of its managerial and budgeting functions;

(b) That in order to do this, among other things, it should place in important agencies one or more well qualified employees whose duties should include continuous year-around review, at the site of the agency, of agency budget preparation and administration and other facets of the Bureau's management responsibilities; and

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<sup>1</sup>Ibid., p. 18.

<sup>2</sup>U.S., Commission on Organization of the Executive Branch of the Government (Second Hoover Commission), Budget and Accounting: A Report to the Congress (Washington, D.C.: Government Printing Office, 1955), p. 5.





(c) If necessary, the Congress should increase the resources of the Bureau of the Budget for that purpose.<sup>1</sup>

Response to the Second Hoover Commission recommendation with respect to the Bureau's management improvement responsibilities was not immediately discernible. Burkhead notes that the Bureau in recent years has conducted very few major management improvement studies, but qualified his remark by stating that the tendency in the Federal Government seems to be toward a strengthening of this type of work in the agencies themselves, with coordinating and stimulating influence in the hands of the Bureau.<sup>2</sup> This tendency, if true, could be interpreted as being in accordance with the recommendation of the Second Hoover Commission. Action of this nature would have the effect of making the Bureau's contribution to management improvement less visible and consequently far more difficult to evaluate.

### Internal Reorganization

While the Office of Management and Organization's functional statement had been changed in 1955 from "assist the divisions" to ". . . and gives guidance and advice to the divisions . . . ,"<sup>3</sup> the staff position of the Office was not

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<sup>1</sup>Ibid., p. 7.

<sup>2</sup>Burkhead, Government Budgeting, p. 285. It should be noted that this book was published in 1956, one year after the Second Hoover Commission Report.

<sup>3</sup>U.S., Bureau of the Budget, "Functions and Organization" (Unpublished paper, Washington, D.C., July 1, 1955), p. 4.





changed. Although the years subsequent to the Second Hoover Commission brought a series of internal reorganizations, none gave the life to the managerial recommendations which was so clearly required. Working relationships with other Government agencies continued to be through the Divisions which in 1965 were raised to seven in number (see Appendix C). With the exception of the Office of Budget Review, the Office designation was applied to the Bureau's non-budgetary activities while Division status was accorded the budgetary activities, which as line organizations represented the main thrust of the Bureau's effort. In 1967 the number of divisions was cut once again to five (see Appendix D). At this time, the Office of Management and Organization was abolished, its activities being transferred to other parts of the Bureau and two new organizational entities. The newly established General Government Management Division was assigned responsibility for government-wide problems in personnel, procurement, and automatic data processing. The new Office of Executive Management was made responsible for the government organization function.<sup>1</sup>

The new Office of Executive Management was initially composed of five major units: 1) Management Systems Staff with responsibility for major interagency-intergovernmental management problems, 2) Operational Coordination Staff to integrate the Bureau's day-to-day activities, 3) Government Organization Staff to be responsible for the improvement of executive branch

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<sup>1</sup>Brundage, The Bureau of the Budget, pp. 85-86.



organizational structure, 4) Special Projects Staff to deal with government-wide management problems, and 5) Financial Management Staff to be drawn from the previous Office of Financial Management.<sup>1</sup> Two functions previously performed by the Office of Management and Organization were discontinued; the joint management surveys and management research activities, e.g., operations research.<sup>2</sup>

As a result of this reorganization, the management functions were dispursed, adding to coordination problems within the Bureau.<sup>3</sup> While an organizational entity remained on the books which gave the appearance of fulfilling the Bureau's management improvement responsibility, the focus of the effort had been diffused to the point that little by way of results could be expected. The major force behind this reorganization seems to have been an attempt to better cope with the changing environment faced by the Bureau of the Budget--particularly with regard to the impact of the social legislation of the "Great Society," implementation of the Planning-Programming-Budgeting System, and the management style of the incumbent President. The conclusion appears to have been that certain problems were of such urgency that other

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<sup>1</sup>U.S., Bureau of the Budget, "Organizational and Personnel Changes" (Unpublished memorandum from the Director, Washington, D.C., August 4, 1967), p. 2.

<sup>2</sup>U.S., Bureau of the Budget, "The Work of the Steering Group on Evaluation of the Bureau of the Budget: a Staff Summery" (Unpublished Report, Washington, D.C., July, 1967), p. 2-27.

<sup>3</sup>Brundage, The Bureau of the Budget, pp. 86-87.



existing functions such as those noted above would have to be discontinued or moved out of the Bureau.<sup>1</sup> In comments relevant to this period, Seidman notes that:

. . . Some White House staff during the Johnson administration successfully pressured the Bureau to devote more of its resources to the developing constructive program proposals and coordinating operations. The Bureau always has played a significant role in both areas, but on a highly selective basis, and only when there was no other logical place to make the assignment. Unless extreme care is exercised, the Bureau may be placed in a position of a program advocate and a defender of its own operations, thus compromising its objectivity and effectiveness as a protector of the "Presidency" and a bastion against the unremitting pressure brought on a President by representatives of narrow, partisan interests.<sup>2</sup>

The net result of this reorganization must be viewed with concern for the enduring responsibilities for management improvement held by the Bureau of the Budget. Brundage, himself a Director of the Bureau of the Budget from 1956-1958, has these comments:

In its present stage of development, under the concepts of the 1967 reorganization, it can only be concluded that the Bureau, as the management arm of the President, has not been performing a service commensurate with the management responsibilities set forth in the Budget and Accounting Act of 1921 and the Budget and Accounting Procedures Act of 1950. This leads to the question as to whether the management function now vested in the Bureau could be performed more effectively in a separate office in the Executive Office of the President. It is a question about

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<sup>1</sup>Particularly relevant is the Preface to "The Work of the Steering Group" and pp. 1-5, 1-9 and 1-13 through 15.

<sup>2</sup>Seidman, Politics, p. 77.





which differences of opinion exist. . . .

. . . . .  
 My own suggestion has been to establish  
 eventually a statutory second deputy director  
 within the Bureau of the Budget, to be appointed  
 by the President and to give his whole time to  
 management and organization. . . .<sup>1</sup>

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<sup>1</sup>Brundage, The Bureau of the Budget, pp. 86-87.



## CHAPTER III

### THE ASH COUNCIL

The work of the Ash Council had its foundation in the 1968 Presidential campaign. The issue of Government reform had been raised, and, shortly after his election, President Nixon took steps to implement his promises. During the pre-inaugural days at Nixon headquarters in New York City's Hotel Pierre, Litton Industries President Roy L. Ash was an advisor to the President-elect and was asked to begin preliminary work in the area of government reorganization. At the same time, a special task force headed by Franklin Lindsay of the Itek Corporation undertook a study of executive branch structure. This group recommended, among other things, that a formal group be convened when the Administration took office to study government structure. Despite Nixon's desire to develop reorganization plans in time to be implemented soon after his inauguration on January 20, 1969, time and legal constraints precluded completion of such an ambitious project. Newly designated Cabinet and sub-Cabinet officers were, however, cautioned to expect substantial reorganizations early in the Administration's tenure.

Although the original timing of Nixon's intent was overly optimistic, the project was not neglected, and in February, 1969, Ash was asked to resume his study in a more



formal and structured fashion. The decision to form a five-man advisory council paralleling the President's Advisory Council on Government Organization, which had operated during the Eisenhower Administration, was made by Ash and approved by the President. The announcement of the formation of the President's Advisory Council on Executive Organization (Ash Council) was made on April 4, 1969.

In addition to Ash as the designated Chairman, the following were named to the Council: George P. Baker--former Dean, Harvard University Graduate School of Business Administration; John B. Connally--former Secretary of the Navy and Governor of Texas, then a partner in the Houston law firm of Vinson, Elkins, Searles and Connally; Fredrick R. Kappel--retired Chairman of the Executive Committee, American Telephone and Telegraph Corporation, and Chairman of the Commission on Postal Organization (1968); and Richard Paget--President, Cresap, McCormick and Paget. By the end of April it was decided that the present council members were unable to devote sufficient time in Washington to organize the staff and get the operation underway. It was for this purpose that Walter N. Thayer, President of Whitney Communications Corporation, was appointed to the Ash Council on June 2, 1969, although he had begun work earlier.

The top-level staff of the Ash Council was selected in June 1969. Murray Comarow of Booze, Allen and Hamilton, Inc., Bertram Harding of Fry Consultants, and Andrew M. Rouse were





asked to join the staff.<sup>1</sup> Comarow agreed to accept the position of Executive Director and to serve for one year.

Rouse accepted the position of Deputy Executive Director and succeeded to the Executive Director position when Comarow resigned on July 18, 1970.

The President gave the Ash Council a broad charter to examine ways in which the Executive Branch could be better organized.<sup>2</sup> The Ash Council was expected to give over-all and specific recommendations for improved effectiveness and to deal with immediate and long-range needs of organizational change to make the Executive Branch a more effective instrument of public policy. Specifically the Ash Council was given the mandate to consider: (1) the organization of the Executive Branch in terms of today's changing requirements of government, (2) solutions to organizational problems arising among the numerous Executive organization units, and (3) relationship of the Federal Government to states and cities involved with the many domestic programs.

In its first meeting on April 10, 1969, early discussions centered on the specific tasks to be undertaken.

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<sup>1</sup>Comarow was formerly Executive Director of the Federal Power Commission, and Hardy had been acting Director of the Office of Economic Opportunity. Rouse was Director of the Bureau of the Budget's resources planning staff.

<sup>2</sup>U.S., Congress, Senate, Committee on Government Operations, Reorganization Plan No. 2 of 1970, Hearing, before the Subcommittee on Executive Reorganization and Government Research of the Committee on Government Operations, United States Senate, 91st Cong., 2d sess., 1970, p. 72.



It was decided that a list of prospective subjects would be prepared for consideration at a May meeting. No decisions on studies were made in the Ash Council's first meeting with the President on April 29, 1969. The work of the council was discussed only in general terms at this time. From the list of nearly 100 potential subjects submitted by members at a two-day meeting in Washington on May 16-17, 1969, ten were selected for prime consideration. These were: (1) social programs; (2) international economic affairs; (3) science functions of the President's Office; (4) Commerce Department; (5) Office of Emergency Preparedness; (6) inter-agency coordinating relationships; (7) independent regulatory agencies; (8) information systems (Bureau of the Budget); (9) President's Office; and (10) recruiting, evaluating, transfer and promotion of top personnel. Law enforcement, and environmental improvement and control were also noted for further consideration. Member consideration of these items as well as staff, space and equipment considerations occupied the Ash Council through June. By mid-July the Ash Council had begun to focus on priorities. In a meeting with the President on July 14, 1969, it was agreed that the study of the Executive Office of the President itself should receive the highest possible priority. Three other subjects were also selected for immediate consideration: (1) executive personnel, (2) organized crime (Justice Department-Treasury Department organization), and (3) social programs.



Meeting on July 17-19, 1969, the Ash Council decided that studies would be better handled internally as opposed to securing the assistance of personnel from other agencies. This would require a larger staff than originally intended<sup>1</sup> but would tend to speed up the operation and provide an extra safeguard against the risk of premature disclosure. Connally and Paget were assigned supervisory responsibility for the social programs study; Kappel, the personnel study; and Thayer, the organized crime study. The study of the Executive Office of the President, the reason for the creation of the Ash Council itself, was to be the responsibility of the Council as a whole. Ash's earlier work became the foundation of this portion of their effort. During this meeting, the Ash Council and staff also met with several high-ranking members of the Administration, including Attorney General John N. Mitchell; Secretary of Health, Education, and Welfare Robert N. Finch; Secretary of Housing and Urban Development George Romney; Director of the Office of Economic Opportunity Donald Rumsfeld; Director of the Bureau of the Budget Robert Mayo; Presidential Assistant John Ehrlichman; and Counselor to the President Daniel P. Moynihan.

Time frames for the study of the Executive Office of the President were established and the President was informed that first recommendations on the structure of the Executive Office would be made at a projected August meeting. The

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<sup>1</sup>The staff of the Ash Council grew to fifty-three at its peak.





remainder of July was primarily devoted to interviewing approximately 200 authorities on the subject of the Executive Office of the President. Former President Johnson, former and present White House aides, and academic scholars in the field of Government organization were included. From Ash's earlier work, the contributions of those interviewed, and the discussions of the members of the Ash Council, the staff began preparation of the recommendations. Ash, Thayer, Kappel, and Paget met in Washington on August 7 to discuss progress and to obtain advice from selected consultants. The report was perfected at a later three-day meeting (August 17-19) in Los Angeles. A total of eleven drafts were prepared before the paper was considered ready for presentation to the President. The Ash Council presented the result to the President on August 20, 1969, in a meeting which included White House aides Haldeman, Ehrlichman, Flanigan, and Kissinger. The concept was approved in principle, and the Ash Council was requested to continue to develop the proposed structure. Ash and Rouse met with Presidential aides Haldeman, Ehrlichman and Flanigan again on August 28 to further discuss the recommendations. Ash, Baker, Rouse, and other staff members met again on September 5, and at this stage began to examine the issues in depth. Implementation strategies also began to receive attention.

The developing line of thought was subsequently disclosed in Congressional testimony. While budgeting was acknowledged as the pre-eminent managerial technique available



when the Bureau of the Budget was established in 1921, significant changes were recognized.

. . . But since that time, management science has experienced an enormous growth. Powerful new tools of management have been developed, many of them first explored by the Government itself.

Along with growth of management techniques has come an equally striking change in the demands upon the executive branch and Congress. The Government now provides many more complicated services than ever before. . . .

In other words, the budget function is now only one of several important tools that the President must have to manage both foreign and domestic affairs. The proposed allocation of resources is only the beginning in the battle for Federal effectiveness. . . .<sup>1</sup>

The Ash Council identified six major management processes which should be included within the Executive Office of the President and in which were found significant organizational inadequacies: (1) policy and program development, (2) recognition of the organizational and management implications inherent to program decisions, (3) program evaluation, (4) creation of an information system, (5) resolution of interagency problems of coordination, and (6) executive career personnel development.

Having isolated these functions to be strengthened, our Council went about designing the best structure we could to enhance these functions. During our discussions, we selected certain key criteria on which we based our final organizational recommendations: (1) No activity should be placed within the Executive Office of the President without compelling reasons for it being there. Activities which can be well handled elsewhere in the executive branch should not end up in the President's Office by default. (2) Insofar as possible, the powers of organizations lodged within the President's Office should be vested in the

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<sup>1</sup>House Hearings, Reorganization Plan No. 2, p. 12.



President. (3) Operating activities or others involving large numbers of personnel are generally not suitable for placement in the Executive Office. (4) The role of agency heads needs to be strengthened, not further reduced, and means must be sought to insure they remain responsive to the Presidential needs. (5) Legislative recommendations should not be overly detailed about the structure of new organizations. It is important to clearly outline the major functions to be performed and their relationships.

Detailed organization charts, job descriptions, and the like are matters we believe which should be left to the particular individuals heading the organizations and their key executives at any given time.<sup>1</sup>

Two major organizational strategy questions were discussed by the Ash Council at length:

(1) Should the President's staff functions for policy and program formulation be separated from those for program implementation and administration?

• • • • •  
(2) Should the non-budgetary management activities (other than policy and program formulation) be set up in a separate organization or combined with budgeting activities?

In the case of the first question, the Ash Council decided that since "policy and program development should work with a longer time horizon and be less subject to day-to-day pressures," two different organizations were desirable. In the second, the Ash Council found:

The case for separation depends upon the different skills and perspectives required by the two sets of activities. Moreover, budgeting activities often seem to drive out non-budgetary activities.

• • • Our council recommended not setting up two organizations. We do believe, however, that special encouragement must be given to the non-budgetary management processes so that they may operate effectively side by side with the budgetary duties in the Office of Management and Budget.

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<sup>1</sup>Ibid., pp. 8-9.





The budgetary and non-budgetary activities are intimately related and integral parts of putting programs into action. . . .

Conversely, separation would tend to distort the integral nature of the budgetary and non-budgetary activities, and perhaps even foster needless competition between them. Furthermore, a separate organization would require another executive reporting to the President.<sup>1</sup>

These issues were discussed at an Ash Council meeting September 18-19, 1969, after which the staff prepared drafts of the final proposal. Once the drafts had been reviewed, Council members telephoned their comments to the staff in Washington for inclusion in the final revision. By September 24, the basic concepts approved by the President in August had been expanded and fleshed out. Attention was then given to serious consideration of implementation strategies. On October 17, 1969, the final proposals for the new structure of the Executive Office of the President were sent to the President. Preliminary plans for implementation of the recommendations were included.

The Ash Council had once again reaffirmed the role of the budgetary agency's management function. The problematic nature of the issues which had confronted the Ash Council is indicated by Ash's testimony in support of Reorganization Plan No. 2:

. . . Almost every past President in this century has commented that resistance to organizational change is one of the chief obstacles to effective government and that better means are needed to insure that organization keep abreast of program needs. . . .  
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<sup>1</sup>Senate Hearings, Reorganization Plan No. 2, p. 73.



Sound management structures are no guarantee of good program results. The new structures recommended in Reorganization Plan No. 2 can only pave the way for needed change. Ultimately success in managing the executive branch of Government comes down to people--their abilities and attitudes. . . .

. . . . .  
 . . . There is no precise, clean way to split up the duties of the President, yet split them he must. Cooperation and men of good spirit must bridge the gaps.

. . . . .  
 We do not claim that what we have is exceedingly novel or new. It is, more than anything, a distillation and synthesis of the thinking that we came to know by our research, brought up to date, of course, by our own thinking in terms of today's government in contrast to some of the issues that were faced by those earlier administrations.<sup>1</sup>

Except for specifying that the policy and program formulation should belong to the new Domestic Council, the Ash Council recommendations, which became the basis for Reorganization Plan No. 2 of 1970, were in close harmony with the findings of past studies. Not only did the Second Hoover Commission Task Force recommend changing the name of the Bureau of the Budget to "Office of Budget and Executive Management," but a statement by Dwight A. Ink, Assistant Director for Executive Management of the Bureau of the Budget, indicates that another similar proposal existed. "The Rockefeller Committee's recommendations led President Eisenhower to propose the establishment of an Office of Executive Management to be inclusive of the budget function, with heavy emphasis on

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<sup>1</sup>House Hearings, Reorganization Plan No. 2, pp. 12-16.



program coordination activities."<sup>1</sup> Further, it is reported that the Ash Council had knowledge that President Roosevelt intended to set up an organization roughly similar to the Office of Management and Budget, but that World War II side-tracked the plan.<sup>2</sup>

On October 22, 1969, the Ash Council met with the President to discuss the recommendations. The decision to proceed with plans for implementation was made at that time. The details of the recommendations were still closely held and their nature was known only to a few. During subsequent months, the Ash Council continued to be closely associated with the implementation planning. In addition to the Ash Council and its staff, Presidential Assistant Ehrlichman, Counselors Harlow and Moynihan, and Director of the Bureau of the Budget Mayo were involved with the planning of the proposed change. By mid-December, Mayo believed that it was then necessary to disclose the nature of the plans to his appointed assistant directors (Ink, Schlesinger, Mann, Nathan) and Rodger Jones.<sup>3</sup> On the issue of the Director of the Office of Executive

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<sup>1</sup>Ibid., p. 69.

<sup>2</sup>Chamber of Commerce of the United States, "How the White House Got its New Management Tools," Nation's Business, LVIII (August, 1970), p. 46.

<sup>3</sup>Rodger Jones had retired from the Bureau of the Budget in 1968, but had returned to assist the new administration with the status of an Assistant Director.





Management's<sup>1</sup> membership on the proposed Domestic Council, Mayo was strongly in favor of the Director being a designated member of the Domestic Council. He believed that Congress would consider the omission inconsistent with the stated objective of upgrading the Office of Executive Management function. The Ash Council, however, believed that the Director of the Office of Executive Management should not want to be a member of the Domestic Council in order to maintain and enhance his role as an objective Presidential Advisor; that once in the Domestic Council, he would become only one of many. This latter view was to prevail, at least for a time. Although Mayo strongly supported an improved and strengthened institutional management capability for the President, he raised doubts as to the strategy of implementation.

The main issue was that the President could establish the Cabinet-level council and order a revitalized Bureau of the Budget to proceed with its management functions by executive action. Proceeding in this manner, however, would require abandonment of a number of ends advocated by the Ash Council, including: (1) statutory authorization of the Cabinet-level council; (2) the first step toward authority for the President to organize the Executive Office as he desired,

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<sup>1</sup>The Ash Council's recommended name for the successor to the Bureau of the Budget was "Office of Executive Management." This was changed to "Office of Management and Budget" only in the final stages when liaison with Congressional leaders indicated strong resistance to dropping "budget" from the name.



brought about by transfer to the President for subsequent delegation of present statutory authorities vested in the Bureau of the Budget or its Director; (3) statutory identification of the management function in the context of development and execution of policy and programs rather than in the context of budget formulation and execution; and (4) provision of new executive level positions by adding a number of executive positions within the civil service system. Mayo generally favored these goals, but cautioned that Executive-Legislative relations were not such as to insure passage of a reorganization plan. The issues raised were such that doubt was created as to the advisability of proceeding on the charted course.

Harold Seidman,<sup>1</sup> consultant to the Ash Council, had already begun drafting the reorganization plan, although it was not until February 7, 1970, that Ash was informed that the President had resolved to proceed as recommended by the Ash Council, despite potential problems with Congress. Intense briefings of Congressional leaders, Cabinet and sub-Cabinet officials, and selected members of the press began. It was hoped that careful and complete briefing would help overcome the opposition which was anticipated.

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<sup>1</sup>Assistant Director, Office of Management and Organization from 1964 to 1968; subsequently Scholar-in-Residence at the National Academy of Public Administration in Washington, D.C.



The Ash Council plan was designed to be the first in a series of moves to develop a broader managerial base for the executive branch in contrast to what had become a gradual accumulation of too much authority and responsibility for too many matters that could well be located in the departmental structure.<sup>1</sup> The major features of the plan were:

(1) The redesignation of the Bureau of the Budget as the Office of Management and Budget with additional high level positions and other personnel; and (2) the creation of a Cabinet-level Domestic Council--presumably a counterpart to the National Security Council. The Domestic Council will have a staff to be directed by a White House assistant.<sup>2</sup>

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<sup>1</sup>House Hearings, Reorganization Plan No. 2, p. 62.

<sup>2</sup>Ibid., p. 1.





## CHAPTER IV

### THE OFFICE OF MANAGEMENT AND BUDGET

#### Reorganization Plan No. 2 of 1970

President Nixon submitted Reorganization Plan No. 2 of 1970 (see Appendix E) to the Congress on March 12, 1970. Unless Congress rejected the plan by May 16, 1970, it was to become effective on July 1, 1970. In his letter of transmittal, President Nixon noted that the plan recognized two closely connected, but basically separate functions of the President's Office; policy determination and executive management. "This involves (1) what the government should do, and (2) how it goes about doing it." He characterized the new Domestic Council as being "primarily concerned with what we do," and the Office of Management and Budget as being "primarily concerned with how we do it, and how well we do it."

Creation of the Office of Management and Budget represents far more than a mere change of name for the Bureau of the Budget. It represents a basic change in concept and emphasis, reflecting the broader management needs of the Office of the President.

. . . But preparation of the budget as such will no longer be its dominant, overriding concern.

While the budget function remains a vital tool of management, it will be strengthened by the great emphasis the new office will place on fiscal analysis. The budget function is only one of several important management tools that the President must now have. He must also have a substantially enhanced institutional staff capability in other areas of executive management--particularly in program evaluation and coordination,



improvement of Executive Branch organization, information and management systems, and development of executive talent. . . .

. . . . .  
Improvement of Government organization, information and management systems will be a major function of the Office of Management and Budget. . . . Resistance to organizational change is one of the chief obstacles to effective government; the new Office will seek to ensure that organization keeps abreast of program needs.

The new Office will also take the lead in devising programs for the development of career executive talent throughout the Government. . . .

President Nixon stated that he expected to follow with additional reorganization plans, but noted that ". . . this by itself is a reorganization of major significance, and a key to the more effective functioning of the Executive Branch."<sup>1</sup>

Reorganization Plan No. 2 of 1970 provided for: (1) transfer to the President of all functions vested by law in the Bureau of the Budget or its Director, (2) redesignating the Bureau of the Budget as the Office of Management and Budget with six additional level V officers, and (3) establishment of a Domestic Council. The duties of the Office of Management and Budget and the Domestic Council, although described in Congressional testimony, were left to the direction of the President and were not specifically outlined by the plan. The new level V positions to be located in the Office of Management and Budget were not specified, their duties and titles left to the discretion of the Director of the Office of Management and Budget. Although the Ash Council had

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<sup>1</sup>Ibid., p. 2-6.



considered organizational alternatives to be applied to the new Office of Management and Budget, the organization chart presented by Ink in the Congressional Hearings (see Appendix F) was primarily the work of the Bureau of the Budget staff. The Ash Council had originally recommended additional high-level grades for the Office of Management and Budget. Since this recommendation would have placed the Director of the Office of Management and Budget at Cabinet rank (level I), only the six level V positions were retained in the final plan to reduce possible opposition. The membership of the Domestic Council was specified, but the Director of the Office of Management and Budget was not included, although the President was given authority to designate additional officers of the Executive Branch if he so desired.

Opposition to Reorganization Plan No. 2 was led by Representative Chet Holifield, ranking majority member of the Committee on Government Operations.<sup>1</sup> Opposition comments were primarily directed to concerns that: (1) the Domestic Council constituted a layer to function between the President and the Office of Management and Budget as well as his Cabinet Officers, (2) this layer was insulated from Congressional influence, (3) the position of the Office of Management and Budget was

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<sup>1</sup>Holifield was a member of the Second Hoover Commission and is considered one of the authorities in Congress on Government reorganization. Dom Bonafede, "Lobbying Brings Last-minute Victory for Nixon's Reorganization Plan," National Journal, II (May 16, 1970), 1018.





being downgraded, (4) transfer to the President of the functions vested by law in the Bureau of the Budget, in conjunction with the failure of the plan to be specific as to the redelegation of these functions, could be utilized to nullify some of the statutory provisions of Congress, and (5) the Plan downgrades other executive offices such as the Council of Economic Advisors, The Office of Science and Technology, and the Civil Service Commission. Additionally, there was a feeling that the plan identified an unreal distinction between the Office of Management and Budget and the Domestic Council as policy-making organizations. Concern was also expressed that the plan did not spell out in sufficient detail the organization which was to result.

Throughout the House Hearings, the thread of concern over a possible reduction in Congressional influence and control is evident. The possible effects of the Domestic Council becoming a layer between the President and the Office of Management and Budget were brought up repeatedly. The following exchange is representative:

Mr. Holifield: . . . So I think we pretty well established the fact that we are creating a political level between the Budget Bureau and the President, one that is inaccessible to the Congress.

Mr. Ink: We do not look upon this as creating a layer between the Bureau and the President. The new Office of Management and Budget will continue to have responsibility for the budget and will continue to report directly to the President. . . .<sup>1</sup>

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<sup>1</sup>House Hearings, Reorganization Plan No. 2, pp. 82-83.



This opposition viewpoint was persistent in the face of strong denials by the proponents of the plan. Ash had previously responded to a similar question by stating: "We had hoped that we had made it clear, but apparently we did not, that the Domestic Council will not be a layer between the Office of Management and Budget and the President."<sup>1</sup> While concern for maintaining the status of the Office of Management and Budget was real enough, the possibility of the new arrangement impinging on Congressional prerogatives was consistently in the background.

This was even more evident in opposition to transfer to the President of the powers vested by law in the Bureau of the Budget.

Now this flexibility, which is in the plan and which places all of these powers in the hands of the President with the privilege of delegation or assignment wherever he chooses, in effect nullifies in many instances the intent of Congress in setting up those statutes.<sup>2</sup>

And again, "One of the things I have been worried about is weakening of the Budget Bureau, particularly in regard to these statutes that pertain to the Budget Bureau functions which have been placed there by various arms of the Congress."<sup>3</sup> In response, Ash reiterated the Council's criteria that an organization should not have powers independent of its superior

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<sup>1</sup>Ibid., p. 21.

<sup>2</sup>Ibid., p. 20.

<sup>3</sup>Ibid., p. 35.



and that a reorganization should not be so detailed that it limits future alternatives. He stated that the recommendations were in no way intended to diminish Congressional access to information.<sup>1</sup> It was further pointed out that the President had indicated, in his letter of transmittal, the intent to redelegate the functions transferred to him back to the Office of Management and Budget. The point, however, was that the President could at some future time redelegate these functions as he chose without consulting Congress. This was one of the objectives of the Ash Council.

Responding to the view that the proposed reorganization would downgrade agencies not designated specifically as members of the Domestic Council, Ash stated:

. . . We feel that the Office of Management and Budget and CEA and the OST each have independent status and each have their relationships with the President independent from the Council and felt it should not be subordinated by their being one of the many members of the Council, and that the President should view them not so much as one among the many that make the Council, but that he should seek from each of them their professional expertise, their direct communication with them.<sup>2</sup>

In response to questions of encroaching on the territory of the Civil Service Commission, Ash stated that Reorganization Plan No. 2 had been discussed with them and that they had found it acceptable.<sup>3</sup>

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<sup>1</sup>Ibid., pp. 18, 21.

<sup>2</sup>Ibid., p. 67.

<sup>3</sup>Ibid., p. 65.





Concern as to the distinctions drawn between the policy roles of the Office of Management and Budget and the Domestic Council were answered to the effect that this was a formalization of separations of function which were informally and indistinctly being made at the present time. It was pointed out that institutionalizing the process would make more coherent policy planning possible and that records and staff of the Domestic Council would help bridge the gap between administrations. A statement made by Mayo at the March 12, 1970, White House Press Conference was used in part to substantiate the opposition position in this regard.<sup>1</sup> The validity of the opposition remarks had been acknowledged by Ash earlier in his opening statement when he stated that there was "no precise, clean way to split up the duties of the President, yet split them he must."<sup>2</sup>

Mayo's earlier identification of points potentially vulnerable to criticism was proving accurate. Another of these points arose when the opposition questioned the necessity of a reorganization plan to accomplish the recommendations of the Ash Council. Among other answers to this point, Dwight A. Ink<sup>3</sup> pointed out that the name of the Bureau of the Budget could not be changed by administrative action. In support of this change, he said:

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<sup>1</sup>Ibid., pp. 20-23.

<sup>2</sup>Ibid., p. 14.

<sup>3</sup>Ink then held the position of Assistant Director for Executive Management, Bureau of the Budget.



. . . Having tried to do a management job within the framework of the Bureau of the Budget I am constantly having to defend and explain why I am concerned with something other than cutting the budget. I think it is important to get away from the connotation of an agency dealing simply with the budget if we are going to permit this organization to do what I think really the Budget and Accounting Act contemplated for us in the first place.<sup>1</sup>

The Senate Hearings on Reorganization Plan No. 2 covered much the same ground as did the House, but opposition was not as pronounced. No action was taken to disapprove the plan by the Senate. The House Committee on Government Operations, however, submitted an unfavorable report accompanying a resolution (H. Res. 960) to disapprove Reorganization Plan No. 2 of 1970. Since the Congress had no authority to amend or modify a reorganization plan, the proposal was to disapprove the plan and subsequently introduce a bill to enact provisions of the plan which were considered sound.<sup>2</sup>

Despite the fact that the opposition was aided by reaction against the President's decision of April 30, 1970, to send troops into Cambodia, the resolution (H. Res. 960) to disapprove the plan was not successful. On May 13, 1970, the resolution failed by a roll-call vote 163-193 after three hours of debate. Reorganization Plan No. 2 of 1970 had, in effect, received Congressional approval and would become effective on

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<sup>1</sup>House Hearings, Reorganization Plan No. 2, p. 65.

<sup>2</sup>U.S., Congress, House, Committee on Government Operations, Disapproving Reorganization Plan No. 2 of 1970, Report, Report No. 91-1066 to accompany H.R. 960, 91st Cong., 2d sess., 1970, pp. 1-3.



July 1, 1970.<sup>1</sup>

### Implementation

The President announced on June 10, 1970, that George P. Shultz, then Secretary of Labor, would become Director of the new Office of Management and Budget when Reorganization Plan No. 2 became effective.<sup>2</sup> Shultz took over as the first Director of the Office of Management and Budget on July 1, 1970. By August 6, 1970, the organization of the new Office had been determined and distributed to the staff (see Appendix G).<sup>3</sup> The management side of the organization was much the same as had been presented to Congress (Appendix F), but a new position--Associate Director--had been added to head up that effort. Shultz brought Arnold R. Weber with him from the Labor Department to fill this new post.<sup>4</sup> The budget side of the house was significantly modified by the introduction of four new politically appointed Assistant Directors to oversee the operation of the program Divisions. This was done to

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<sup>1</sup>Bonafede, "Lobbying Brings Victory," 1018-1020.

<sup>2</sup>Dom Bonafede, "White House Report/The Making of the President's Budget: Politics and Influence in a New Manner," National Journal, III (January 23, 1971), 151.

<sup>3</sup>U.S., Office of Management and Budget, "Office Memorandum No. 71-7 (Unpublished paper, August 6, 1970, Washington, D.C.).

<sup>4</sup>Charles F. Parker, Assistant to the Assistant Director for Executive Development and Labor Relations, Office of Management and Budget, in a private interview at his office, Washington, D.C., March 15, 1971. Parker was Assistant to the Assistant Director of the Office of Executive Management at the time of the reorganization.





insure that implementation of policy in the budget process would be more responsive to the President.<sup>1</sup> The Deputy Director who was responsible for putting the budget together could now look to five Assistant Directors to carry out his direction, while the Director had only to look to the Deputy and Associate Directors. Before, the Director and Deputy Director were required to deal with eight Assistant Directors or Office heads and five Division heads (Appendix D).

This new arrangement at the top level had much in its favor. First, the span of control was reduced from what had been in theory a highly undesirable situation with thirteen unit heads reporting to the Deputy Director and Director. Now only two positions report to the Director, each of which have only five positions reporting in turn to them. The Director, Deputy Director and Associate Director have established a very close working relationship and have become widely known in the Office of Management and Budget as the "Troika."<sup>2</sup> Second, the management side of the organization has gained a top-level spokesman who can represent the management interests better than the five independent Assistant Directors each reporting to the Director. The Associate Director has more time to devote

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<sup>1</sup>Ibid.

<sup>2</sup>This term was used by Weber in Congressional testimony. U.S., Congress, Senate, Supplemental Appropriations for Fiscal Year 1971. Hearings, before the Committee on Appropriations, United States Senate, on H.R. 19928, 91st Cong., 2d sess., 1970, p. 462. Wide use of the term was reflected by Baldwin and confirmed by Parker. Parker additionally indicated that the relationship had become so close that the Deputy and Associate Directors were operating as alter egos of the Director.



to the management effort and, in addition to better coordination, can help insure that the budget activities do not become dominant over the non-budget activities. Finally, the introduction of politically responsive supervision of the budget divisions will insure better response to higher level policy determination. The result of this latter change is reported to be a significant influence on the budget process in that the traditional understandings between the professional budget examiners and the agency budget staffs has, in part, been disrupted. This has created some dissatisfaction among the professional budget examiners who must now contend with more decisions made between the Assistant Directors and agency heads.<sup>1</sup>

The major proposals of the Ash Council as reflected in Reorganization Plan No. 2 were implemented within about five weeks after the "troika" took office.<sup>2</sup> By November, an additional seventy-two positions needed to give effect to the proposals had been identified and presented to Congress (see Appendixes H and I). Congress was told that implementation of Reorganization Plan No. 2 was proceeding and that new emphasis was being placed on the new management responsibilities. Of the seventy-two requested positions, forty-four were intended

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<sup>1</sup>Bonafede, "Influence in a New Manner," 151-165.

<sup>2</sup>U.S., Congress, House, Supplemental Appropriation Bill, 1971, Hearings, before Subcommittees of the Committee on Appropriations, House of Representatives, 91st Cong., 2d sess., 1970, p. 1067.



to staff the areas of program coordination, program evaluation, government organization and management, executive development and labor relations, statistical policy and management information systems, and legislative reference. Twelve positions were for additional executive direction and administrative support requirements. The sixteen remaining positions were for program and budget divisions.<sup>1</sup>

The implementation design was intended to provide a means for working "in an integrated way to bring management concepts into the preparation of the budget and vice versa." Weinberger<sup>2</sup> stated that

It is through the program divisions with their day-to-day contacts in the departments and agencies that we intend to disseminate and implement the necessary managerial changes that will logically follow from our effort to implement fully the President's desire to make the Federal bureaucracy more responsive and effective.

An Evaluation Division was being added to the budget side for the purpose of looking at existing program operation and to make suggestions as to which could be terminated or curtailed. It would also propose new programs that should be initiated. In support of the additional budget positions, it was stated that it would be necessary to draw on people who are familiar with the budget examining functions to provide certain desired management information.<sup>3</sup>

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<sup>1</sup>Senate Supplemental Hearing, p. 460.

<sup>2</sup>Deputy Director, Office of Management and Budget.

<sup>3</sup>Senate Supplemental Hearing, pp. 460-461.





Thirty-two of the requested positions were slated for three new Divisions on the management side: Program Coordination Division, fifteen positions; Organization and Management Systems Division, nine positions; and the Statistical Policy and Management Information Systems Division, eight positions. The depth of the new management effort is reflected in the justification for these increases:

#### Program Coordination

Systems and procedures never work precisely as they are designed. . . . There are opportunities to clear up interagency and intergovernmental bottlenecks, but we do not now have the machinery with which to meet these problems effectively. The program coordination activity will focus on the shorter range operational kinds of problems which plague the delivery systems of the Federal assistance programs. Based in Washington but active in the field, staff will give a helping hand to assist agencies to clear up bottlenecks. Without policy, program or supervisory authority, it serves as an expeditor, not as an enforcer.

#### Organization and Management Systems

Will give greater attention to modernizing organization and management systems. OMB will provide strong leadership in interagency efforts to streamline processes and to cut unnecessary paperwork and reporting. Additional personnel will also pave the way for addressing important management areas which in the past have had little systematic attention in the Executive Office of the President such as contract practices, inadequacies of many audit programs, and in modernizing agency accounting systems to meet the standards established by the GAO.

#### Management Information Systems

Efficient and effective management of Government programs is dependent upon a flow of accurate, relevant and timely information to support decision-making at all levels of management in both the executive and legislative branches. Information is needed to evaluate alternative programs and for judiciously selecting and funding those which offer the greatest potential contribution to national priorities and goals.



Information is also needed to evaluate on-going programs to determine "how well" these programs are being implemented and managed and whether they are achieving intended results. Up to this time, the major portion of the Office's management information system development activities has been devoted to development of systems to support preparation and publication of the President's budget and only minimal resources have been available for other important information systems development activities. This new effort would focus in areas such as the development of systems to provide periodic reports of program accomplishments and costs against goals, objectives and plans; to provide the President early warning of potential problems; to support evaluation, consolidation, simplification, and management of Federal Grant programs; and to support management of Federal programs at the local level. It would also emphasize improved policies to assure better management of information system development efforts undertaken by various departments and agencies to assure that these efforts are properly coordinated, do not impose undue burden on the public, and are compatible with State and local development efforts.<sup>1</sup>

Although the Office of Management and Budget had begun recruitment action prior to Congressional approval, finding the right people was expected to take time.<sup>2</sup> Moreover, time will be required to develop and mold the new organizations into effective management tools.

Testimony in support of the supplemental appropriation request revealed that the President had designated the Director and Deputy Director of the Office of Management and Budget, the Director of the Office of Economic Opportunity, and the Chairman of the Council of Economic Advisors to membership on

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<sup>1</sup>Ibid., pp. 473-474.

<sup>2</sup>Velma Baldwin, Assistant to the Director for Administration, Office of Management and Budget, in a private interview in her office, Washington, D.C., January 21, 1971.



the Domestic Council in addition to those members specified by Reorganization Plan No. 2.<sup>1</sup> Whatever the reason, opponents of the reorganization have been denied opportunity for further criticism on this point.

It now appears that the Office of Management and Budget has gained significantly in power and influence. What is not clear, however, is the reason. Shultz apparently enjoys a rare working relationship with President Nixon and has become one of the President's most trusted advisors. Shultz's office is not physically located in the Executive Office Building with the rest of the Office of Management and Budget, but was moved to the White House at the President's request. Here, Shultz and Ehrlichman have almost daily meetings with the President. Shultz's influence, however, appears to transcend that which would normally accrue just from position.<sup>2</sup> As a result, it is impossible to evaluate just how much of the Office of Management and Budget's new power stems from its revitalized organization or from Shultz's intimate relationship with the President.

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<sup>1</sup>Senate Supplemental Hearing, p. 457.

<sup>2</sup>Shultz's rapid rise is currently being widely reported. See Bonafede, "Influence in a New Manner," 151; Irwin Ross, "George Shultz: Strong Right Arm of the Presidency," Readers Digest, March, 1971, pp. 143-147; and "The Architect of Nixon's New Economics," Business Week, March 20, 1971, pp. 72-75.







Whatever the reason, the management activities of the Office of Management and Budget are actively pursuing their responsibilities.<sup>1</sup> It appears that the management function has at last found a home where it is welcome, and it stands a good chance of reaching maturity in this environment.

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<sup>1</sup>Charles F. Parker, Assistant to the Assistant Director for Executive Development and Labor Relations, Office of Management and Budget, in a private interview in his office, Washington, D.C., March 15, 1971.



## CHAPTER V

### CONCLUSIONS

#### The Past

Throughout its history, the Bureau of the Budget has given the appearance of generally avoiding the broad responsibilities for management improvement which seemingly were intended for it to accomplish. Each succeeding study has indicated that the Bureau had not fulfilled the expected management function. And yet, it seems strange that such a prestigious agency, with its great power and talent, would be so consistently off the expected mark.

The matter of a name seems of little consequence so close to the seat of power, but could well have been a factor. Ink's testimony in support of Reorganization Plan No. 2 would indicate that the matter of a name does indeed make a difference. This view is held by others who have worked in the Bureau of the Budget.<sup>1</sup> Further, a name change was advocated by the Second Hoover Commission Task Force, and, although it never reached the status of a recommendation, this suggestion was acknowledged in the final report. Apparently the Rockefeller Commission also thought a name change to be in

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<sup>1</sup>Baldwin interview, January 21, 1971.



order, although little more can be ascertained from the brief reference previously cited. A more descriptive name might have helped those in the Bureau, the other agencies, and even Presidents to better understand and use the authority vested in the Bureau of the Budget. But while this might have been particularly helpful in recent years, the early history of the Bureau would imply that until 1939, no real attempt was made to exercise the management function.

It is perhaps unfortunate that the initiative was not seized in those early years. While it may have been too large a chunk for the new organization to assimilate all at once, early establishment of its prerogatives in this area could have made a significant difference. The difficulties in bringing about a change at a later date have been noted by Seidman:

Once systems are developed and patterns of organization behavior are established, in most instances, they cannot be altered significantly by interdepartmental reorganizations. . . . Reorganizations may result in scarcely more than a new name on the letterhead. . . .

The behavior of adult institutions can be changed. But this requires nonorganizational measures which enlarge the agency's constituency, compel redesign of the administrative system, and call for a different mix of professional skills. . . .<sup>1</sup>

The inertia which set in when Dawes was forced to allow the management function to slip past, became so great that the determined efforts of Smith and Stone after the 1939 reorganization could gain only partial success. What little

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<sup>1</sup>Seidman, Politics, p. 133.





momentum was achieved was unable to sustain itself. Later attempts to move the Bureau of the Budget off its accustomed mark had to contend with an increasingly complex environment as well as a larger, stronger, and more entrenched bureaucracy. It may be significant that most of Seidman's career has been spent with the Bureau of the Budget, for, although he was not making direct reference to the Bureau, it does offer a prime example of his point. There is a tendency for bureaucracy as well as people to do what it knows--and others are not apt to object, for this is all they expect.

It has been suggested that part of the difficulty lies in the type of men chosen to lead the Bureau of the Budget.<sup>1</sup> People come to new jobs with certain skills and predilections already established. Although the men chosen to direct the Bureau of the Budget could hardly be characterized as men of narrow scope, they did bring professional inclinations which would tend to dispose them to certain functions in preference to others. A review of past Directors would indicate that there is a degree of substance to this theory (see Appendix J). Although no attempt has been made to delve into backgrounds in detail, a brief characterization of their professional backgrounds would indicate that until 1939 the Directors were men

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<sup>1</sup>Baldwin interview, January 21, 1971.



of military or political/financial backgrounds. Smith, taking over in 1939, had a somewhat wider background in public administration and did much to establish the management function. Directors subsequent to Smith have, for the most part, been lawyers, bankers, or economists. This is not to say that these men were not able administrators or managers, but to indicate the general way their professional tendencies would lead. These inclinations could tend to reinforce the budgetary pressures, leaving the non-budgetary function without a strong advocate. When this is added to the possibility of a misleading name and an already established routine for the Bureau of the Budget, a significant force favoring the budgetary activities is readily apparent.

The Bureau of the Budget and its leaders were given little guidance relative to the management functions expected by the Budget and Accounting Act of 1921. Despite indications that the intent was broader in scope, the words "economy and efficiency" were too easily interpreted in the narrow sense.<sup>1</sup> Once Dawes had allowed the objective of achieving broad reform to pass, his interpretation became almost synonymous with parsimony. This established pattern was later to become reinforced by the Bureau of the Budget's relations with the House Appropriations Committee which tends to think in terms of expenditure reduction almost exclusively. Perhaps the

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<sup>1</sup>Seidman includes a similar view within the broader context of orthodox theory. Seidman, Politics, pp. 3-36.



narrow view was adequate for the environment of the early years, but as the Federal Government grew, much more was required. Placed in the context of relevant discussions, subsequent use of the twin terms of economy and efficiency by later studies of the Bureau's role clearly implies that their intended application required more than cost reduction. Still they appear to have been applied in the restrictive sense. It was not until the enactment of the Budget and Accounting Procedures Act of 1950 that the word "management" was incorporated into the basic mandate on which the Bureau of the Budget was operating (Appendix A). The Bureau of the Budget, however, has been served by capable, dedicated people and it appears unlikely that an issue resting solely on semantics would long stand. The interpretation of "economy and efficiency" must therefore be considered more result than cause.

None of these issues, however, taken separately or in combination are adequate to satisfactorily explain the Bureau of the Budget's apparent failure to live up to its management responsibilities. They provide insights into the nature of the problem, but seem inadequate against the power and generally fine reputation enjoyed by the Bureau. This would imply that other factors, other considerations not of an internal organization nature, were present. While the Ash Council noted that budgeting was the pre-eminent management tool available to the young Bureau of the Budget, it was by no





means the only tool. The development of management thought was already well underway. The works of Frederick W. Taylor, Henry L. Gant, Frank and Lillian Gilbreth, Mary Parker Follett, and George Elton Mayo were established and had formed the basis for new management trends. Other techniques followed as the management function became more developed. The point to ponder is why they were not applied in a more systematic and comprehensive manner as it would seem was intended. Seidman suggests that management techniques developed in the private sector may not be self-sufficient without modification or adjustment when applied to the public, political sector.

Established organization doctrine, with its emphasis on structural mechanics, manifests incomplete understanding of our constitutional system, institutional behavior, and the tactical and strategic uses of organization structure as an instrument of politics, position and power. Orthodox theories are not so much wrong when applied to the central issues of executive branch organization as largely irrelevant.<sup>1</sup>

Should this be true, and Seidman presents an excellent argument in its support, the total political environment in which the Bureau of the Budget has operated must be a major factor in the success or failure of the management function.

### Political Perspective

The political arena presents, if not an hostile environment, at best a grudgingly neutral environment for the application of standard managerial philosophies. The President,

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<sup>1</sup>Seidman, Politics, p. 13.



even assuming a perfectly functioning managerial arm, has not been free to manage the Executive Branch as he may have wished. He has consistently been constrained to those channels and methods allowed to him by a frequently belligerent Congress.

"Congress has been unwilling to give the President a free hand with respect to the organization of the Executive Office of the President."<sup>1</sup> As a result, the Bureau of the Budget has had to function in an arena allowing full play of frequently contradictory forces, each operating from their established power bases. This is the design of our constitutional system and of Congress in particular. As noted by Soldman, "Economy and efficiency are demonstrably not the prime purpose of public administration. . . . The basic issues of Federal organization and administration relate to power: who shall control it and to what ends?"<sup>2</sup> Furthermore,

. . . What may appear to be structural eccentricities and anomalies within the executive branch are often nothing but mirror images of jurisdictional conflicts within the Congress. Congressional organization and executive branch organization are interrelated and constitute two halves of a single system.<sup>3</sup>

Whether Congress is viewed as an obstruction to effective administration or as an intricate mechanism for the resolution of conflicting viewpoints makes little difference.

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<sup>1</sup>Ibid., p. 213.

<sup>2</sup>Ibid., p. 27.

<sup>3</sup>Ibid., p. 37.



It exists and its existence must be considered. Congress functions primarily through the power structure of the Congressional Committees.

Committee jurisdictions are the most important single factor influencing program assignments among executive agencies. Congressional dynamics can be of equal significance in molding and shaping the choice of administrative instruments, advisory arrangements, delegations, and field structure.<sup>1</sup>

The difficulties are further amplified to the extent that the Congressional Committee structure has been singularly resistant to change.

There has been no major reform of congressional committee structure since 1946. In vital areas programs which have been consolidated or are effectively coordinated at the executive level remain fragmented in Congress. Hoped for benefits are lost when comprehensive and well integrated plans developed by the executive must be broken up and considered in separate pieces by the Congress.<sup>2</sup>

Whatever the virtues of the Bureau of the Budget, Congressional influence has and will play a major role in the struggle for better ways of managing the Federal Government. The Office of Management and Budget cannot realistically look for better. Seidman goes so far as to state that meaningful improvements in executive branch organization must ultimately depend on reorganization of the Congressional structure.<sup>3</sup>

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<sup>1</sup>Ibid., p. 51.

<sup>2</sup>Ibid., p. 40.

<sup>3</sup>Ibid., p. 285.





Even if Congress could be transformed into some utopian standard of excellence, however, the result would still fall short in terms of managerial effectiveness. Congress has no monopoly on resistance to change. The Federal bureaucracy is both a contributor and recipient of the same influences which characterize Congress. Organizations are created to serve people and come to depend on their support. These groups become jealous of their servants and resist changes which might even remotely create divided loyalties. The organization and its constituency have a tendency to become mutually dependent.

New approaches are resisted for no other reason than that they require major modifications in existing administrative patterns or complicate constituency relationships. Clientele-oriented policies also may be engraved in stone. Devotion to these "historic" policies endure in the face of changing circumstances and challenges by Presidents and prestigious commissions.<sup>1</sup>

Earlier mention was made of the theory that budgetary progress in the Bureau of the Budget may have been made at the expense of the non-budgetary functions due, in part, to the background and inclinations of the men selected to lead the Bureau. Seidman believes that each profession will "seek to mold and shape the decision-making process in accordance with its own professional standards."<sup>2</sup> As a result, professionalism becomes yet another force resistant to change and which attempts to order change to its own rather than purely rational ends.

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<sup>1</sup>Ibid., pp. 128-131.

<sup>2</sup>Ibid., p. 121.



In the face of such pressures, the Bureau of the Budget has operated sometimes at the very center of the arena and sometimes as the odd man left out. The Office of Management and Budget will operate in a similar environment. It seems an almost thankless task. No rational argument could be expected to consistently survive under these conditions.

The interplay of competing and often contradictory political, economic, social, and regional forces within our constitutional system and pluralistic society has produced a smorgasbord of institutional types. . . . Choices from among this rich assortment are seldom determined by strict application of established organizational "principles." Choices are influenced by a complex of tangible and intangible factors reflecting divergent views about the proper sphere of government activity, politics, institutional folklore, program importance and status, visibility, political and administrative autonomy, and, most important, who should exercise control. The theoretical arguments frequently have little relevance to the real issues.<sup>1</sup>

### Prospects

None of the foregoing should be taken to imply that the cause is hopeless, but rather that the Office of Management and Budget faces a formidable challenge. It must seek to develop and apply existing management techniques in the public sector which are capable of withstanding the conflicting pressures. The Ash Council recommendations were intended to provide the President with a more viable organization to accomplish his managerial responsibilities. The new Office of Management and

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<sup>1</sup>Ibid., p. 195.



Budget was left with a more flexible organization, increased staffing, and a charter giving greater emphasis to its management function.

The Office of Management and Budget has a name which clearly reflects its management responsibilities. Members of the staff previously with the Bureau of the Budget, personnel of the agencies it seeks to assist, as well as the President and Congress should now be aware of the broad scope of its activities. Internal adjustments in organization and staff have been made to allow the budgetary and non-budgetary functions to exist in a mutually supportive way while reducing the possibility that the non-budgetary functions will be subordinated to the pressures of daily routine. It is to be hoped that the shake-up caused by the reorganization was sufficient to break the organization from its old pattern so that it now may seize the initiative for management reform that was lost fifty years earlier. Hopefully the budgetary and non-budgetary functions will attract men of the proper experience and inclinations who can work together with common purpose. And while the political climate shows little propensity to change, the new organization has an improved mechanism to better develop, substantiate and sell the needed programs of management improvement. The Bureau of the Budget left an excellent foundation on which to build, despite its obvious inadequacies.





The Bureau of the Budget may have its institutional biases, but its professional resources, knowledge of the Government as a whole, general perspective, and dedication to the interests of the Presidency cannot be duplicated by any other Government agency. The Bureau has a single client and a single constituency--the President of the United States.<sup>1</sup>

Should the Domestic Council work out, the improvement in policy formulation should take a significant load from the back of the Office of Management and Budget. With reduced policy considerations, the Office should be better able to accomplish both its budgetary and non-budgetary functions. Former Deputy Director of the Bureau, William D. Carey, has stated: "If the Domestic Council can be made to work, and if the strengths of the Office of Management and Budget are preserved and coupled with the Council, the presidency can take a long step toward addressing its responsibilities."<sup>2</sup>

Success will not come easily. Separation of the policy function is not easily defined or implemented. An early indication is that Ehrlichman, Executive Director of the Domestic Council, is still deep in operations, while Shultz is still in the policy business.<sup>3</sup> Further, as close as Shultz

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<sup>1</sup>Ibid., p. 189.

<sup>2</sup>William D. Carey, "Reorganization Plan No. 2: Remarks by William D. Carey," Public Administration Review, XXX (November/December, 1970), 632.

<sup>3</sup>John Osborne, "The Nixon Watch: White House Staff," The New Republic, CLXIII (October 3, 1970), 13.



is working with the President, it seems unlikely that he will ever get far removed from the policy function.

But where does policy begin and end? There seems no clear distinction which satisfactorily separates policy from its implementation. From this standpoint, it would appear that opponents of Reorganization Plan No. 2 were correct. But if separation of the policy function is considered to be descriptive of different policy levels rather than a real separation, then the situation may be somewhat different. A new policy-making institution has been created. If the President, with the assistance of the Domestic Council and the top levels of the Office of Management and Budget, can produce more coherent, more rational broad-term policies, then implementation down each successive level in the Office of Management and Budget will be better coordinated and on target. Hopefully this is the way it is working out, for clearly no definitive separation of the policy function is possible. Perhaps this is what Ash had in mind when he acknowledged that men of good faith would be required to fill the gaps.

The new organization of the budgetary activities would appear to make the budget process more responsive to broad-range policy decisions. This has been reported to have an impact on the development of the Fiscal Year 1972 budget.<sup>1</sup>

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<sup>1</sup>Bonafede, "Influence in a New Manner," 151.



While this may be good or bad, the dissatisfaction of the budget examiners may provide some insight into early reports that the personnel of the Office had been badly demoralized. Carey reported that: "Visiting the Office of Management and Budget, one discovers the unmistakable mood of injury and disquiet." He further states: "While the Bureau has not lost power (and may actually have gained some), it has suffered a blow to its institutional pride. This is no small thing."<sup>1</sup> In contrast, more recent indications<sup>2</sup> would imply that the mood Carey reports was at worst a temporary result of the reorganization. A certain amount of uneasiness during a major reorganization would seem a natural phenomenon. But some shake-up of the organization was necessary to pull the Bureau out of its rut. The budgetary functions were supreme for too long perhaps, and while they were not cut down so much as the management side reinforced, only time will tell whether the damage is real or imaginary, permanent or temporary.

There seems little doubt that the Office of Management and Budget will, for the present, not be downgraded by the creation of the Domestic Council. Opponents of Reorganization Plan No. 2 would appear to have been concerned for the wrong people. It was early reported that the Assistant Directors of

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<sup>1</sup>Carey, "Reorganization Plan No. 2," 633-634.

<sup>2</sup>The interviews with both Baldwin and Parker indicate generally excellent morale after some natural uneasiness during the unsettling period of reorganization. Further, Parker indicates that dissatisfaction, if any, is largely confined to the budget examiners who resent the politically appointed Assistant Directors now between them and the Director.









a manifestation of Shultz's relationship with President Nixon rather than solely the result of Reorganization Plan No. 2.

The number of variables determining a function which seeks to evaluate an organization with the power and position of the Office of Management and Budget must inevitably result in an extremely complex equation. With the addition of the people element, the situation becomes so infinitely complex that even time may not reveal the true result. While it is true that it is too soon to attempt a comprehensive evaluation at this time, the passing of time will involve new people, new values and new methods of operation. Nevertheless, the new Office of Management and Budget would appear to be a viable and flexible instrument for the future. When Moynihan left the White House staff in January, 1971, he was quoted as saying: "Whether it's a better budget bureau or not is unknown at this time, but institutionally it's better."<sup>1</sup>

The Office of Management and Budget's management function has been a long time evolving. From its inception in 1921, through infancy in 1939, into adolescence in subsequent years, it has institutionally been a difficult growth. But while the creation of the Office of Management and Budget may optimistically mark its institutional maturity, institutions do not make the future; only people will determine that. In the words of Carey:

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<sup>1</sup>Ibid., 164.



In the end, the question will not be whether the Domestic Council or the Office of Management and Budget did well or poorly, but whether the aggregate leadership and performance of the presidency meets expectations of quality, sensitivity, and decisiveness. Machinery enters into that calculation to be sure, but machinery per se does not make a presidency.<sup>1</sup>

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<sup>1</sup>Carey, "Reorganization Plan No. 2," 631.





## APPENDIX A

### SECTION 209, THE BUDGET AND ACCOUNTING ACT, 1921, AS AMENDED

Sec. 209. The Bureau, when directed by the President, shall make a detailed study of the departments and establishments for the purpose of enabling the President to determine what changes (with a view of securing greater economy and efficiency in the conduct of the public service) should be made in (1) the existing organization, activities, and methods of business of such departments or establishments, (2) the appropriations therefore, (3) the assignment of particular activities to particular services, or (4) the regrouping of services. The results of such study shall be embodied in a report or reports to the President, who may transmit to Congress such report or reports or any part thereof with his recommendations on the matters covered thereby. (31 U.S.C. 18)

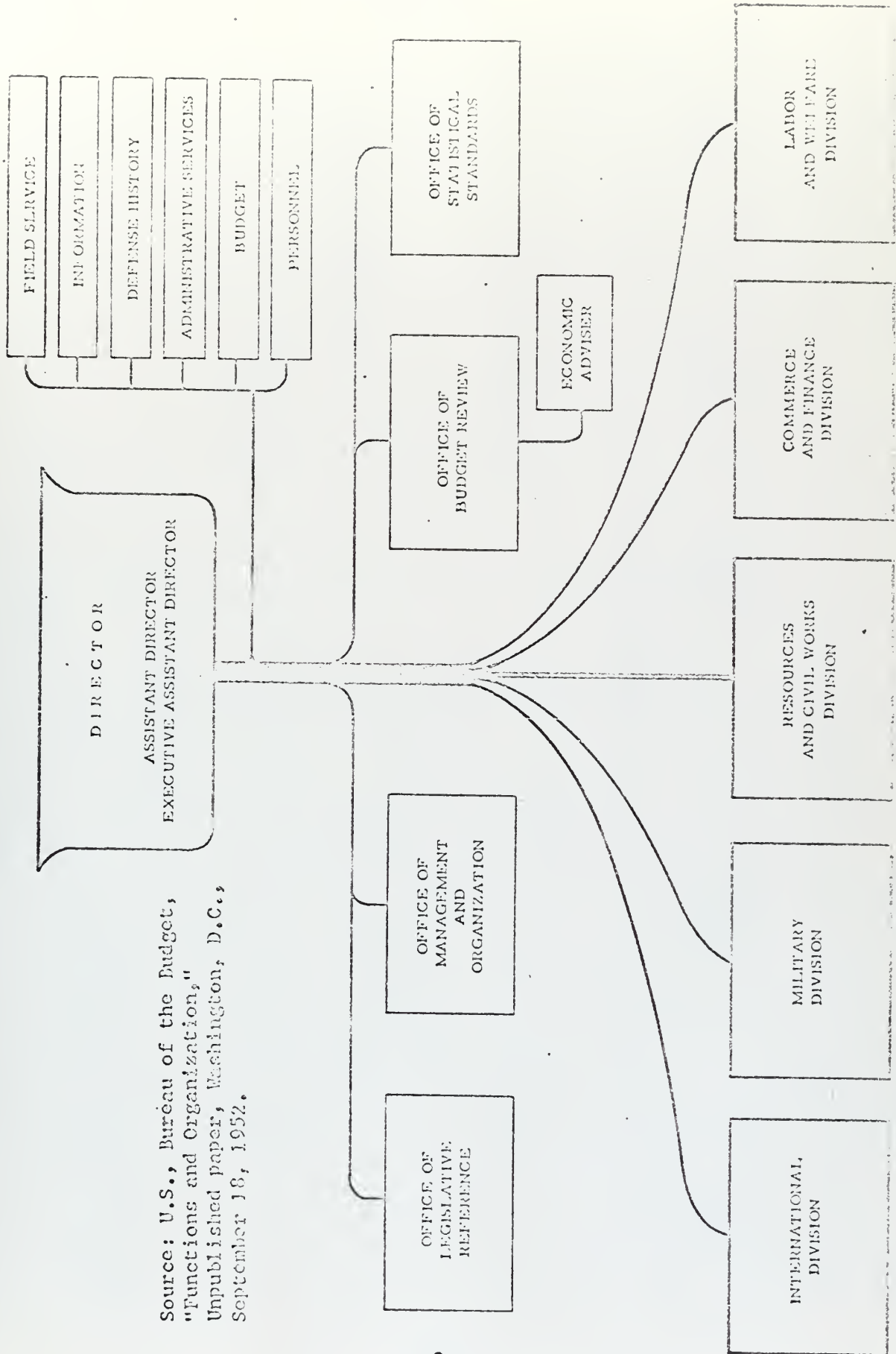
The President, through the Director of the Bureau of the Budget, is authorized and directed to evaluate and develop improved plans for the organization, coordination, and management of the executive branch of the Government with a view to efficient and economical service. (31 U.S.C. 18a)

The President, through the Director of the Bureau of the Budget, is authorized and directed to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, publishing, and disseminating of statistical information for any purpose by the various agencies in the executive branch of the Government. Such regulations and orders shall be adhered to by such agencies. (31 U.S.C. 18b)

Note.---The two immediately preceding paragraphs were enacted as sections 104 and 103 of the Budget and Accounting Procedures Act of 1950, 64 Stat. 834, and were not specifically designated as amendments to the Budget and Accounting Act, 1921. They are included here as codified in the U.S. Code.

Source: U.S., Bureau of the Budget, "Principal Laws Relating to the Bureau of the Budget" (Unpublished paper, Washington, D.C., undated).





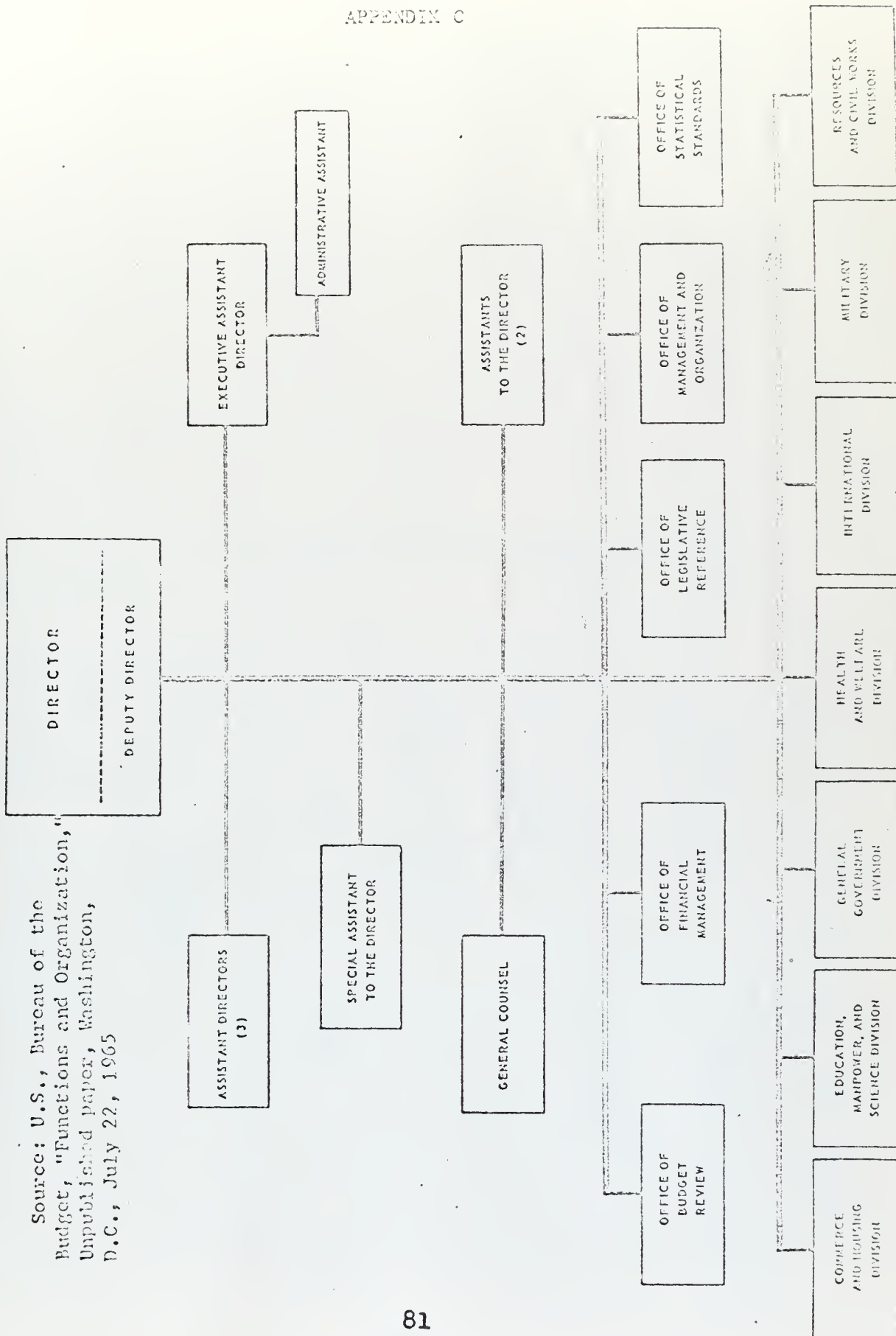
Source: U.S., Bureau of the Budget,  
"Functions and Organization,"  
Unpublished paper, Washington, D.C.,  
September 18, 1952.

September 18, 1952



# BUREAU OF THE BUDGET

Source: U.S., Bureau of the Budget, "Functions and Organization," Unpublished paper, Washington, D.C., July 22, 1965

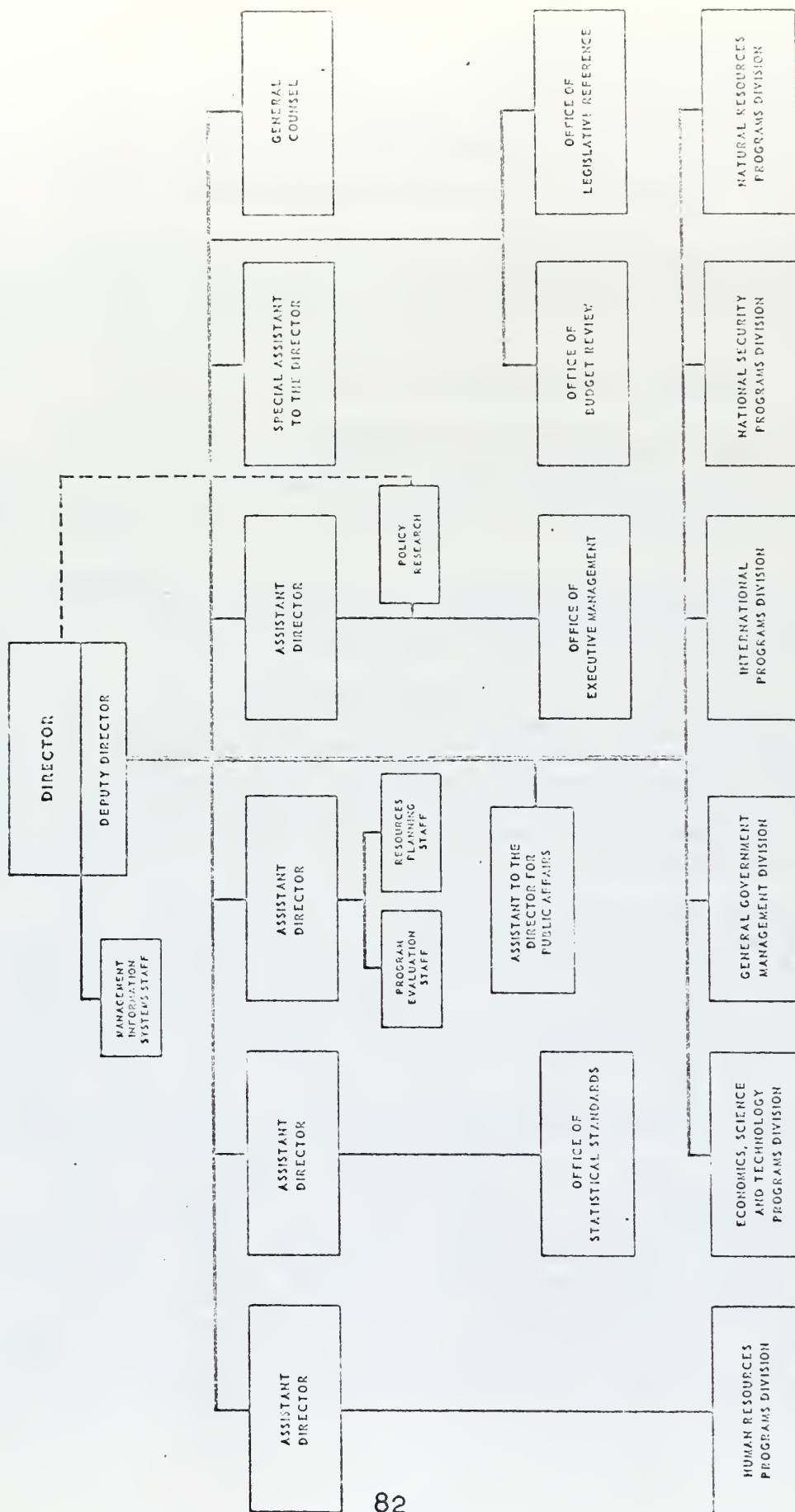


July 1965





BUREAU OF THE BUDGET



Source: U.S., Bureau of the Budget, "Functions and Organization," Unpublished paper, Washington, D.C., December, 1967.

DECEMBER 1967



## APPENDIX E

### REORGANIZATION PLAN NO. 2 OF 1970

Prepared by the President and transmitted to the Senate and the House of Representatives in Congress assembled, March 12, 1970, pursuant to the provisions of chapter 9 of title 5 of the United States Code.

#### PART I. OFFICE OF MANAGEMENT AND BUDGET

SECTION 101. Transfer of functions to the President.-- There are hereby transferred to the President of the United States all functions vested by law (including reorganization plan) in the Bureau of the Budget or the Director of the Bureau of the Budget.

SECTION 102. Office of Management and Budget.--(a) The Bureau of the Budget in the Executive Office of the President is hereby designated as the Office of Management and Budget.

(b) The offices of Director of the Bureau of the Budget and Deputy Director of the Bureau of the Budget, and the offices of Assistant Directors of the Bureau of the Budget which are established by statute (31 U.S.C. 16a and 16c), are hereby designated Director of the Office of Management and Budget, Deputy Director of the Office of Management and Budget, and Assistant Directors of the Office of Management and Budget, respectively.

(c) There shall be within the Office of Management and Budget not more than six additional officers, as determined from time to time by the Director of the Office of Management and Budget (hereinafter referred to as the Director). Each such officer shall be appointed by the Director, subject to the approval of the President, under the classified civil service, shall have such title as the Director shall from time to time determine, and shall receive compensation at the rate now or hereafter prescribed for offices and positions at Level V of the Executive Schedule (5 U.S.C. 5316).

(d) The Office of Management and Budget and the Director shall perform such functions as the President may from time to time delegate or assign thereto. The Director, under the direction of the President, shall supervise and direct the administration of the Office of Management and Budget.

(e) The Deputy Director of the Office of Management and Budget, the Assistant Directors of the Office of Management and Budget designated by this reorganization plan, and the officers provided for in subsection (c) of this section shall perform such functions as the Director may from time to time direct.



(f) The Deputy Director (or during the absence or disability of the Deputy Director or in the event of a vacancy in the office of Deputy Director, such other officials of the Office of Management and Budget in such order as the President may from time to time designate) shall act as Director during the absence or disability of the Director or in the event of a vacancy in the office of Director.

SECTION 103. Records, property, personnel, and funds.--The records, property, personnel, and unexpended balances, available or to be made available, of appropriations, allocations, and other funds of the Bureau of the Budget shall, upon the taking effect of the provisions of this reorganization plan, become records, property, personnel, and unexpended balances of the Office of Management and Budget.

## PART II. DOMESTIC COUNCIL

SECTION 201. Establishment of the Council.--(a) There is hereby established in the Executive Office of the President a Domestic Council hereinafter referred to as the Council.

(b) The Council shall be composed of the following:

The President of the United States  
 The Vice President of the United States  
 The Attorney General  
 Secretary of Agriculture  
 Secretary of Commerce  
 Secretary of Health, Education, and Welfare  
 Secretary of Housing and Urban Development  
 Secretary of the Interior  
 Secretary of Labor  
 Secretary of Transportation  
 Secretary of the Treasury

and such other officers of the Executive Branch as the President may from time to time direct.

(c) The President of the United States shall preside over meetings of the Council: Provided, That, in the event of his absence, he may designate a member of the Council to preside.

SECTION 202. Functions of the Council.--The Council shall perform such functions as the President may from time to time delegate or assign thereto.

SECTION 203. Executive Director.--The staff of the Council shall be headed by an Executive Director who shall be an assistant to the President designated by the President. The Executive Director shall perform such functions as the President may from time to time direct.





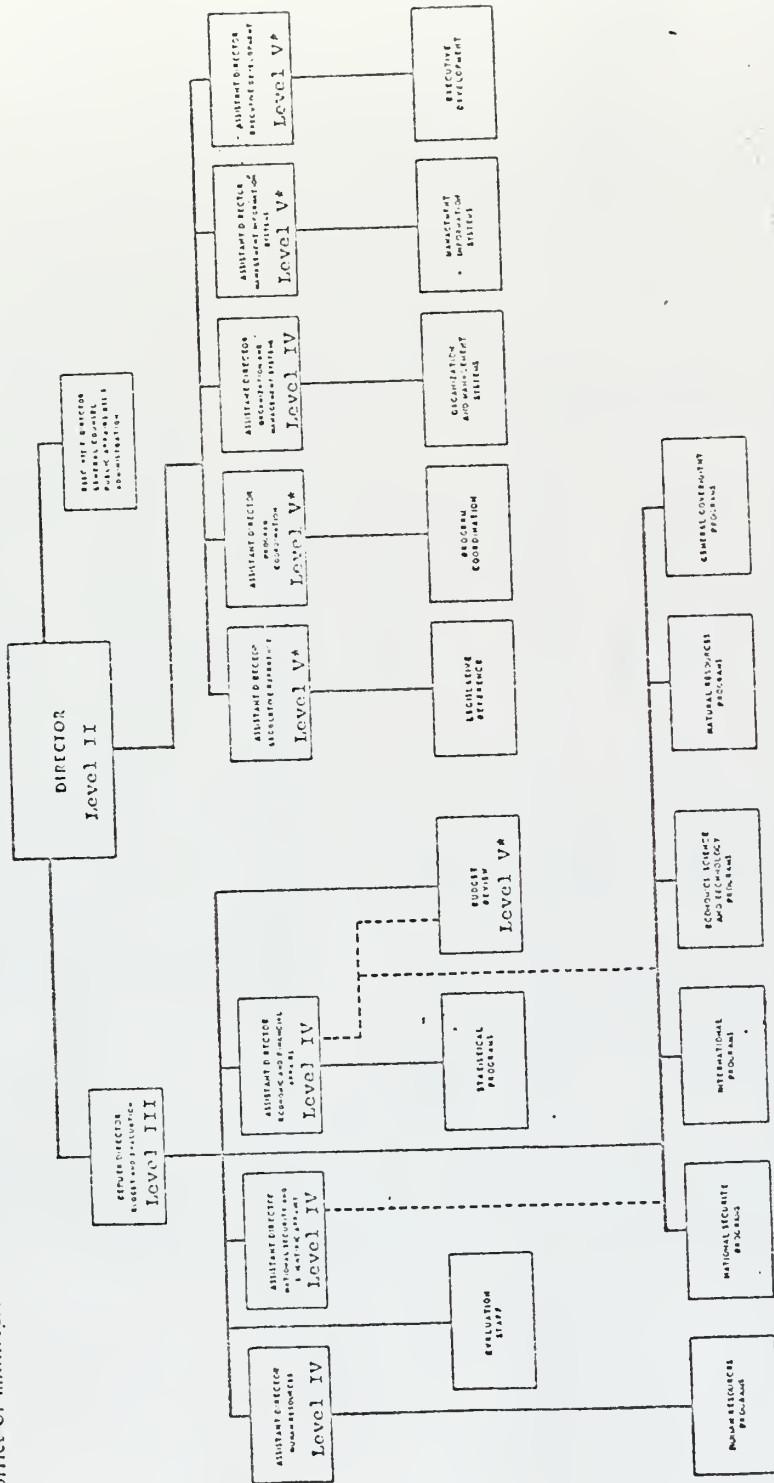
## PART III. TAKING EFFECT

SECTION 301. Effective date.--The provisions of this reorganization plan shall take effect as provided by section 906(a) of title 5 of the United States Code, or on July 1, 1970, whichever is later.

Source: U.S., Congress, House, Committee on Government Operations, Reorganization Plan No. 2 of 1970 (Office of Management and Budget: Domestic Council), Hearings, before a Subcommittee of the Committee on Government Operations, House of Representatives, 91st Cong., 2d sess., 1970, pp. 6-7.



## OFFICE OF MANAGEMENT AND BUDGET



proposed. 1 proposed level V position unallocated.

proposed. 1 proposed Level V position unallocated.

Source: U.S., Congress, House, Committee on Government Operations, Reorganization Plan No. 2 of 1970 (Office of Management and Budget Domestic Council), Hearings, before a subcommittee of the Committee on Government Operations, House of Representatives, 91st Cong., 2d sess., 1970. p. 96.



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graph TD
    Director[DIRECTOR]
    Legative[LEGATIVE COUNCIL]
    Economist[ECONOMIST]
    GeneralCounsel[GENERAL COUNSEL]
    AsstAdmin[ASST. TO THE DIRECTOR  
FOR  
ADMINISTRATION]
    AsstPublic[ASST. TO THE DIRECTOR  
FOR  
PUBLIC AFFAIRS]

    Director -.- Legative
    Director --- Economist
    Director --- GeneralCounsel
    Director --- AsstAdmin
    Director --- AsstPublic
  
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# APPENDIX H

## OFFICE OF MANAGEMENT AND BUDGET DETAIL OF PERMANENT POSITIONS NOVEMBER 1970

Grades and Ranges	Presently Available	Revised Estimate	Proposed Supplemental
Executive level II, \$42,500	1	1	
Executive level III, \$40,000	1	1	
Executive level IV, \$38,000	5	5	
Executive level V, \$36,000	6	6	
GS-18, \$33,495	15	15	
GS-17, \$28,976 to \$32,840	17	17	
GS-16, \$25,044 to \$31,724	43	43	
GS-15, \$21,589 to \$28,069	80	99	19
GS-14, \$18,531 to \$24,093	81	92	11
GS-13, \$15,812 to \$20,555	49	56	7
GS-12, \$13,389 to \$17,403	47	52	5
GS-11, \$11,233 to \$14,599	34	34	
GS-10, \$10,252 to \$13,330	2	2	
GS-9, \$9,320 to \$12,119	39	42	3
GS-8, \$8,449 to \$10,987	36	42	6
GS-7, \$7,639 to \$9,934	69	82	13
GS-6, \$6,882 to \$8,943	28	36	8
GS-5, \$6,176 to \$8,030	13	13	
GS-4, \$5,522 to \$7,178	3	3	
GS-3, \$4,917 to \$6,393	1	1	
GS-2, \$4,360 to \$5,665	5	5	
GS-1, \$3,889 to \$5,057			
Ungraded	10	10	
	585	657	72

Source: U.S., Congress, Senate, Supplemental Appropriations for Fiscal Year 1971, Hearing, before the Committee on Appropriations, United States Senate, on H.R. 19928, 91st Cong., 2d sess., 1970, p. 469.



APPENDIX I

OFFICE OF MANAGEMENT AND BUDGET SUMMARY OF  
PERSONNEL COMPENSATION BY DIVISION  
NOVEMBER 1970

Division	Presently Available	Revised Estimate	Increase
Budget Review	57	61	4
Evaluation	17	20	3
Economics, Science and Technology Programs	34	36	2
General Government Programs	21	24	3
Human Resources Programs	53	57	4
International Programs	34	34	
National Security Programs	49	49	
Natural Resources Programs	44	47	3
Executive Development and Labor Relations	15	21	6
Legislative Reference	21	24	3
Organization and Management Systems	64	73	9
Program Coordination	19	34	15
Statistical Policy and Management Information Systems	54	62	8
Director's Office	103	115	12
Total Permanent Positions	585	657	72

Source: U.S., Congress, Senate, Supplemental Appropriations for Fiscal Year 1971, Hearing, before the Committee on Appropriations, United States Senate, on H.R. 19928, 91st Cong., 2d sess., 1970, p. 470.



# APPENDIX J

Directors	Term	Background
Charles G. Dawes	Jun. 23, 1921 - Jun. 30, 1922	Military/Business
Herbert M. Lord	Aug. 1, 1922 - May 31, 1929	Military
J. Clawson Roop	Aug. 15, 1929 - Mar. 3, 1933	Military
Lewis W. Douglas	Mar. 7, 1933 - Aug. 31, 1934	Politics/Business
Daniel W. Bell	Sept. 1, 1934 - Apr. 14, 1939	Career Govt. - Treasury
Harold D. Smith	Apr. 15, 1939 - Jun. 19, 1946	Public Administration
James E. Webb	Jul. 31, 1946 - Jan. 27, 1949	Law/Business
Frank Pace	Feb. 1, 1949 - Apr. 12, 1950	Law
Fredrick J. Lawton	Apr. 13, 1950 - Jan. 21, 1953	Career Govt.
Joseph M. Dodge	Jan. 22, 1953 - Apr. 15, 1954	Banker
Rowland R. Hughes	Apr. 16, 1954 - Apr. 1, 1956	Banker
Percival F. Brundage	Apr. 2, 1956 - Mar. 17, 1958	CPA
Maurice H. Stans	Mar. 18, 1958 - Jan. 20, 1961	CPA/Banker
David E. Bell	Jan. 21, 1961 - Dec. 20, 1962	Economist
Kermit Gordon	Dec. 28, 1962 - Jun. 1, 1965	Economist
Charles L. Schultze	Jun. 1, 1965 - Jan. 29, 1968	Economist
Charles J. Zwick	Jan. 29, 1968 - Jan. 20, 1969	Economist
Robert P. Mayo	Jan. 22, 1969 - Jun. 30, 1970	Banker
George P. Shultz	Jul. 1, 1970 -	Economist

Source: Various documents and files of the Office of Management and Budget Library, Washington, D.C.





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